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ADMITTED TO PRACTICE ONLY IN THE DISTRICT OF COLUMBIA

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PLEASE RESPOND TO WASHINGTON ADDRESS

June 30, 2016

REDACTED – FOR PUBLIC INSPECTION

VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

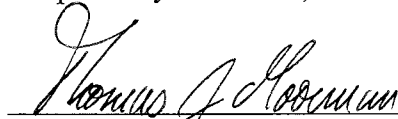
**Re: WC Docket No. 14-58
Submission of Redacted Version of FCC Form 481 for
Valley Telephone Cooperative, Inc. (Study Area Code 492176)**

Dear Ms. Dortch:

Attached for electronic filing is a copy of the redacted public version of the FCC Form 481 of Valley Telephone Cooperative, Inc. (the "Company") which contains: (1) the Company's financial information of required by Section 54.313(f)(2) of the Commission's Rules (which is filed in compliance with the Protective Order referenced below); (2) the Company's updated five-year plan required by Section 54.313 of the Commission's Rules; (3) Network Outage Information and (4) certain unadvertised broadband pricing-related information.

The Company's FCC Form 481 has been electronically filed with the Universal Service Administrative Company. Consistent with the Commission's Protective Order, WC Docket No. 10-90 *et al.*, DA 16-296, released March 22, 2016 and 47 C.F.R. § 0.459 of the Commission's Rules, the Company, under separate letter, has submitted the confidential version of the Company's FCC Form 481 which contains the Company's financial information required by Section 54.313(f)(2) of the Commission's Rules, the Company's updated five-year plan and certain unadvertised broadband pricing-related information.

Respectfully submitted,



Thomas J. Moorman
James A. Overcash
Valley Telephone Cooperative, Inc.

Attachment

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PLEASE RESPOND TO WASHINGTON ADDRESS

**CONFIDENTIAL INFORMATION — SUBJECT TO PROTECTIVE ORDER BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION**

AND

**CONFIDENTIAL INFORMATION FILED PURSUANT TO SECTION 0.459 OF THE
COMMISSION'S RULES**

June 30, 2016

HAND DELIVERED

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 14-58

**Submission of Confidential Version of FCC Form 481
for Valley Telephone Cooperative, Inc. (Study Area Code 492176)**

Dear Ms. Dortch:

Pursuant the requirements of the Commission's Protective Order, WC Docket No. 10-90 *et al.*, DA 16-296, released March 22, 2016 (the "Protective Order") and 47 C.F.R. § 0.459 of the Rules of the Federal Communications Commission) (the "Commission" or the "FCC"), attached for filing is one copy of the confidential version of the FCC Form 481 of Valley Telephone Cooperative, Inc. (the "Company") which contains the Company's financial information required by Section 54.313(f)(2) of the Commission's rules (which is filed in compliance with the Protective Order), and the Company's Annual Progress Report to its five-year plan (the "Annual Progress Report")¹ required by Section 54.313(a)(1) of the

¹ The Company notes that this Annual Progress Report is required until certain rule changes by the Commission associated with reporting geocoded locations are approved by the Office of Management and Budget. See *In the Matter of Connect America Fund, et al., Report and Order*

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Page 2

Commission's Rules, Network Outage Information required by Section 54.313(a)(2) of the Commission's Rules and certain unadvertised broadband service pricing-related information (the latter three items which are filed pursuant to the requirements of Section 0.459 of the Commission's Rules).

The Company's FCC Form 481 has been electronically filed with the Universal Service Administrative Company on June 30, 2016. Consistent with the Protective Order and Section 0.459, the Company is submitting separately the public version of the Company's FCC Form 481 which redacts the confidential information from the submission the Company's Section 54.313(f)(2) financial information and the Company's confidential information contained in the Annual Progress Report, the Network Outage Information, and certain unadvertised broadband service pricing-related information.

Section 54.313(f)(2) Financial Information

In the Protective Order, the Commission established procedures for the submission of the financial information required by Section 54.313(f)(2) of the Commission's Rules. The Protective Order establishes the procedures under which such submission can be made. The Company respectfully submits that, in good faith, those procedural requirements (which include copies and specific page headers) have been followed. Thus, under the Protective Order, the Company respectfully requests that its Section 54.313(f)(2) information be kept confidential.

Sections 54.313(a)(1) Progress Report to Its Five-Year Plan, Section 54.313(a)(2) Network Outage Information, and Broadband Service Pricing-Related Information

In addition to its submission of Section 54.313(f)(2) information for which it seeks confidential treatment, this letter also submits the Company's Progress Report as part of its 2016 FCC Form 481 submission to its initial five year construction and service improvement plan submitted by the Company last year.² Further, as part of its 2016 FCC Form 481 submission, the Company also seeks confidential treatment of its Network Outage Information submission and certain unadvertised broadband service pricing-related information as noted below.

and Order on Reconsideration, and Further Notice of Proposed Rulemaking, WC Docket Nos. 10-90 *et al.*, FCC 16-33, released March 30, 2016 at paras. 215-216.

² Accompanying this letter is the Declaration of Steven D. Metts, Chief Executive Officer of the Company certifying to the facts stated in this request.

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Pursuant to 47 C.F.R. § 0.459 of the Commission's Rules, the Company, by Counsel, hereby requests that the identified portion of the Annual Progress Report Information, the Network Outage Information and certain broadband service pricing-related information as noted in sub-section (1), below, be withheld from public inspection. Specifically, the Company requests that information attached hereto and as required to be submitted in order to be fully responsive to the requirements found in 47 C.F.R. §§ 54.313(a)(1) and 54.313(a)(2) be withheld from public inspection because that information contains trade secrets and, as applicable, commercial, financial, and technical data that is guarded from disclosure to competitors and the public in the Company's normal and ordinary course of business.

The Commission requires certain Eligible Telecommunications Carriers ("ETCs") to file a five-year service quality improvement plan and Section 54.313(a)(1) then requires an ETC to provide progress reports regarding that plan over the course of the five years. Similarly, Section 54.313(a)(2) of the Commission Rules requires ETCs to submit information regarding various network outages triggered by the requirements of this Rule. In addition, these items are reflected in the FCC Form 481, a form that also includes a line item Line 710 which requires the disclosure of certain broadband pricing-related information. The Annual Progress Report, includes a description of upgrades to the Company's network along with updated estimates regarding the Company's proposed major constructions projections as further described and noted in its Annual Progress Report, including for example, updated estimated capital expenditures for each project and, if applicable, updated time frames for those projects that were planned to be completed by the end of calendar year 2015, and how much federal universal service funding was received (the "Annual Progress Report Information"). The Network Outage Information reveals certain events experienced by the Company in calendar year 2015 where specific network functions were unavailable to the Company's customers pursuant to the descriptions as identified in Section 54.313(a)(2). Line 710 of FCC Form 481 requires, among other items, the disclosure of residential broadband rates, speeds, and usage allowances.

The Company respectfully submits that its Annual Progress Report Information, its Network Outage Information, and its unadvertised broadband pricing-related information are each competitively sensitive and is a "trade secret" which has been defined as "information which is used in one's business and which gives him an opportunity to obtain an advantage over competitors who do not know or use it." *See* Restatement of Torts §757 (1939). The Annual Progress Report Information represents the Company's efforts to comply with the requirements of Section 54.313(a)(1) of the Commission's Rules based on the Company's collective experience, thought, analysis, and planning along with the Company's opinion of market trends, conditions, technologies, and customer preferences arising out of, *inter alia*, the Company's existing operations within the rural areas it serves in New Mexico. Just as would be the case for one of its competitors and that competitor's experience, the cumulative effect of this effort affords the Company "an advantage over competitors" that do not have access to the information.

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Disclosure of the Company's Annual Progress Report Information relates to the existing and planned improvement and upgrade plans, time frames, and affected customers and locations would provide competitors with the views and insights of the Company and its business planning during period covered by this submission and those anticipated network upgrades and capabilities that the Company believes, all things being equal, are necessary to meet its obligations under applicable Commission Rules, service commitments and efforts to retain customers. Improper public access to this Company information would enable existing and potential competitors to respond preemptively and unfairly by utilizing internal Company information that is guarded closely and not disclosed to third parties during the normal and ordinary course of business. Public access to the Company's Annual Progress Report Information, therefore, would enable competitors to tailor marketing and/or entry strategies in a manner that would not be possible but for the provision of the Annual Progress Report Information to the Commission. Thus, competitors would be able to target and/or modify their competitive service plans to take advantage of those locations where projects are not underway, or plan for competitive offerings in those areas where the Company's plans are known but for which the competitor had no plans previously.

Similarly, the Company's provision of Network Outage Information is information not readily available to the public or to competitors, is filed with the Commission and treated by the Commission as presumptively confidential. *See* 47 C.F.R. § 4.2. The Network Outage Information reveals situations where the Company's efforts to provide continued quality service was compromised and would allow insights into the responsiveness of ability of the Company to respond to temporary network outages. In this regard, competitors could obtain insights into the operations of the Company and its capability to respond to service area issues. Such knowledge, in turn, would allow competitors to target and/or modify their competitive service plans to mirror or possibly exceed the Company's capabilities not previously anticipated by the competitor as necessary.

Further, with respect to the Company's unadvertised broadband pricing-related information, this information is derived from individually negotiated and engineered requests from specific customers, reflecting where the Company's network can capably provide alternative broadband speed based upon, among other items, the customer's physical location proximity to an appropriate network broadband node and the cost of providing the service being reflected in the agreed-upon rates between the customer and the Company. As a result, the Company respectfully submits that if this unadvertised broadband pricing-related information is publicly available, competitors could obtain insights into the operations of the Company, and its capability to respond to service requests when network engineering indicates that higher broadband speeds can be sustained to meet the customer's specific request. Such knowledge, in turn, would allow competitors to target and/or modify their competitive service plans to mirror

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Page 5

or possibly exceed the Company's capabilities not previously anticipated by the competitor as necessary.

With respect to these three discrete pieces of information -- the Annual Progress Report Information, the Network Outage Information and unadvertised broadband pricing-related information -- public disclosure of any of this information in the Company's view, would be inconsistent with the competitive goals of the 1996 revisions to the Communications Act of 1934, as amended (the "Act"). In general, competition is the "effort of two or more parties, acting independently, to secure the business of a third party by the offer of the most favorable terms." Black's Law Dictionary, Sixth Ed. West Publishing Co., St. Paul, MN (1991). By contrast, utilization of trade secrets by a firm in order to gain market share would ignore a fundamental principle of competition, specifically, the pursuit of consumers by two or more parties "acting independently." Disclosure of the trade secrets and the use by competitors of the confidential information contained in either the Annual Progress Report Information, the Network Outage Information or the unadvertised broadband pricing-related information would be inconsistent with the competitive objectives of the Act, as the disclosure would allow access to these three areas of Company information disclosed in response to the FCC Form 481 requirements that would not otherwise be independently available to one of its competitors.

Accordingly, pursuant to Section 0.459(b) of the Commission's Rules, the following is provided in support of this request:

(1) Identification of the specific information for which confidential treatment is sought.

The Company seeks confidential treatment of following Annual Progress Report Information regarding. The Company seeks confidential treatment of the Voice and Broadband Upgrade Projects for 2015 as well as the related capital expenditure, operational expenses, and federal Universal Service Fund utilization data as disclosed in response to Line 112 of the FCC Form 481.

The Company also seeks confidential treatment of the Network Outage Information as disclosed in response to Line 220 of the FCC Form 481.

Finally, the Company seeks confidential treatment of certain unadvertised broadband pricing-related information related to the Company's individually priced customer service offerings in response to Line 710 of the FCC Form 481.

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(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission.

The Annual Progress Report Information is submitted as a result of the requirements of Section 54.313(a)(1) of the Commission's Rules and Section 254 of the Act, as required by FCC Form 481. *See, e.g., In the Matter of Connect America Fund, et al., Report and Order and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90 *et al.*, 26 FCC Rcd 17663 (2011), *aff'd* In Re: FCC 11-161, 753 F.3d 1015 (10th Cir. 2014); *see also* 47 C.F.R. §54.313. The Network Outage Information is submitted as a result of the requirements of Section 54.313(a)(2) of the Commission's Rules and Section 254 of the Act, as required by the Commission with respect to the submission of the FCC Form 481. The unadvertised broadband pricing-related information is required by the Commission with respect to the submission of the FCC Form 481.

(3) Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged.

The Annual Progress Report Information is commercial and financial information, and contains trade secrets in that it reveals the Company's timing of, expenditures associated with, and customer impacts arising from its network upgrade plans for provisioning broadband services. This information is highly confidential because it describes the Company's plans for the network, including: a good faith estimated schedule for such projects; the wire centers included in such projects; an explanation of projects known or scheduled to be underway in the future, as well as planned construction projects currently underway; the estimated cost of the projects; and the estimated population and census blocks to be affected by the project.

Once the requirement to complete Line 220 of the FCC Form 481 is triggered, as is the case with the Company, the Company respectfully submits that the Network Outage Information requires the disclosure of trade secret and confidential information regarding, by way of example, the time and date of a reportable outage, a description of what triggered the outage, the time when the outage was resolved, the number of affected customers, the impact on 911 facilities (if any), the resolution and preventive steps taken by the Company to avoid a future outage.

Likewise, based on how the Company responds to specific requests for broadband service and the technical capability of its network should a customer request specific broadband services not otherwise publicized by the Company, the Company respectfully submits that the resulting unadvertised broadband pricing-related information requires the disclosure of trade secret and confidential information.

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Page 7

(4) Explanation of the degree to which the information concerns a service that is subject to competition.

Both the Annual Progress Report Information and the Network Outage Information relates to the Company's network, with the former information relating to the planning and the status of on-going networks deployments required for the provision for local exchange service and the provision of broadband internet access service, which are both competitive services. So too, this same network is implicated by the disclosure of the Network Outage Information as required by Section 54.313(a)(2) of the Commission's Rules. To a somewhat similar extent, the Company's unadvertised broadband pricing-related information is also based in part on the Company's network capabilities but also includes aspects of customer-specific decision making regarding, for example, the price for which that service will be offered and agreed to by the customer. The geographic area in which the Company operates are also covered in part by other service providers including but not limited to various wireless service providers that compete with the services provided by the Company as well as a terrestrial-based provider of voice and broadband over cable television facilities and fixed wireless providers.

(5) Explanation of how disclosure of the information could result in substantial competitive harm.

In addition to those points raised in response to Subsection 1, above, disclosure of the Annual Progress Report Information could result in substantial competitive harm by revealing to competitors the nature and extent of the Company's business plans to continue to provide the quality of voice service and broadband internet access service over its network that has enabled the Company to retain its existing customer base, and the current status of planned network upgrades disclosed previously. This information, therefore, would enable competitors to unfairly discover the Company's existing proposed plans and current status with respect to those projects it has decided would be necessary to ensure continued high quality service throughout its service area and its requirements under applicable Commission Rules. Likewise, the disclosure of the Network Outage Information would provide insights into the Company's ability to address certain customer-affecting network events and the responsiveness of the Company to address those events in a timely fashion.

As explained and described above, the information submitted describes the Company's confidential business plans and operational capabilities based on the facts that the Company has today. Thus, disclosure of the Annual Progress Report Information would provide existing and potential competitors of the Company keen insights into the Company's infrastructure plans based on existing circumstances, as well as the ability to address certain types of network outages in order to minimize customers' inability to have continuous network and service capabilities. These types of insights, in turn, would enable such competitor to craft or update its business plan to either target those areas where it believes the growth of market share can occur

Ms. Marlene H. Dortch, Secretary
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vis-à-vis the Company's non-upgraded facilities or to target its own investment or operational capabilities in those areas where, but for the Company's Annual Progress Report Information or Network Outage Information, the competitor would not have seen the need to invest or improve its operations to retain or gain market share. So too, public disclosure of the unadvertised broadband pricing-related information would allow competitors the same types of insights into the Company's existing network capabilities as well as provide insights into how the Company and its customers may determine how specific requests for services are resolved. In such situations, the competitor may identify areas where it needs to make increased investment or improve not only its operations but its customer-outreach in an effort to identify other areas where customer-specific service requests could be pursued.

In such a circumstance, the competitor would be able to "game" the market place by understanding where its competitor – the Company – believes network improvement dollars are best spent as well as the timing of such decision and, with respect to the Network Outage Information, the level of resource commitment and service outage capability that would not otherwise be known; disclosure of the unadvertised broadband pricing-related information could allow the competitor to game the market by seeing what customer-specific needs are being met by the Company on an individualized basis. Such results do not encourage fair competition nor support fair competition. Rather, such action would undermine competition by enabling competitors to acquire competitively sensitive information of the Company. That acquisition of information, in turn, would improperly assist that competitor's effort to gain customers not as a result of its own decision making and capabilities but as a result of access to commercially sensitive information from the Company that reflects the Company's decision making and capabilities.

(6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure.

The Annual Progress Report Information, the Network Outage Information and the unadvertised broadband pricing-related information as submitted by the Company are each generally protected to prevent unauthorized disclosure. Disclosure of this information is limited solely to internal corporate discussions and, where necessary, disclosure to vendors or others whose participation is necessary to plan or implement such projects (and such disclosure is made subject to a professional confidentiality obligation).

(7) Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties.

The Annual Progress Report Information, the Network Outage Information and the unadvertised broadband pricing-related information is not published, nor provided to the public, nor included in any publicly-available documents or materials of the Company. The

Ms. Marlene H. Dortch, Secretary
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information has not been disclosed to third parties unless such disclosure is subject to a professional confidentiality obligation.

(8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure.

The Company submits that the Annual Progress Report Information, the Network Outage Information and the unadvertised broadband pricing-related information should be treated as confidential on a permanent and on-going basis. The Annual Progress Report Information discloses and reveals the Company's strategy, and provides competitively sensitive information in that it reveals the Company's approach to and status of network upgrades and improvements. The information should be treated as confidential even after the five-year period described in the Annual Progress Report Information has passed since, to the extent exogenous events or changed business plans alter the schedules or outcome of the network upgrade plans described therein, those descriptions and plans may be wholly relevant and applicable in a successive time period.

So too, the Company's Network Outage Information should also be treated as confidential on a permanent and on-going basis. The Network Outage Information discloses and reveals the Company's network related operational capabilities to address and resolve identified types of network outages using the reporting triggers found in Section 54.313(a)(2). This information provides competitively sensitive information in that it reveals the Company's approach to and status of the Company's commitment to its customers to provide uninterrupted, high quality telecommunication services. The information should be treated as confidential even after the five-year period described in the Annual Progress Report Information has passed since, to the extent exogenous events occur providing a further track record of the Company's capabilities, a trend analysis of such responsiveness could be established providing additional inappropriate insights to competitors of the Company's operations and capabilities. Thus, the current Network Outage Information may be wholly relevant and applicable in a successive time period.

Further, the Company's unadvertised broadband pricing-related information should also be treated as confidential on a permanent and on-going basis. The unadvertised broadband pricing-related information discloses and reveals to an extent the Company's network related operational capabilities to address, and the Company's ability to meet, customer-specific requests for service based on the Company's technical capabilities along with the price for which the customer is willing to pay for the service. This information provides competitively sensitive information in that it reveals the Company's approach to and status of the Company's commitment to its customers to respond to reasonable requests for services that the Company, in turn, can engineer in a manner that meets its customer's expectation for high quality telecommunication services. Like the Annual Progress Report Information, the Company

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
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respectfully submits that the unadvertised broadband pricing-related information should be treated as confidential even after the five-year period described in the Annual Progress Report Information has passed since, to the extent exogenous events occur providing a further track record of the Company's capabilities, a trend analysis of such responsiveness could be established providing additional inappropriate insights to competitors of the Company's operations and capabilities. Thus, the current unadvertised broadband pricing-related information may be wholly relevant and applicable in a successive time period.

(9) Any other information that the party seeking confidential treatment believes may be useful in assessing whether its request for confidentiality should be granted.

The requested treatment of this information as confidential and proprietary by the Commission is consistent with the Commission's policies in addressing other submissions that contained competitively sensitive information.

For example, with respect to the Annual Progress Plan Information, the Commission recognized in the *Local Competition and Broadband Reporting, Report and Order*, CC Docket No. 99-301, FCC 00-114 (rel. Mar. 30, 2000) that information submitted with Form 477 (Local Telephone Competition/Broadband Reporting) (the "Form") implicated concerns related to the disclosure of competitively sensitive data. The Form requires information regarding the type of technology used to deliver broadband services, including total connection to end-users, information transfer rates, and an estimate of the percentage of residential end-user premises in the provider's service area to which the provider's broadband connections could be provided using installed distribution facilities. The Commission requires the information because it "conclude[d] that the answers to these questions are necessary to describe and understand the state of competition for local telephone services and the deployment of broadband services in diverse areas of the nation." *Id.* at ¶62. As a general matter, these same types of considerations are, in the Company's view relevant to the Company's unadvertised broadband pricing-related information in that such information reflects the Company's ability to respond to customer-specific service requests.

At the same time, however, the Commission also recognized "concern over the potential for competitive harm that release of the gathered data could cause." *Id.* at ¶88. While stating that it was not "making a prospective decision about whether these data elements would satisfy the Commission's standard for non-disclosure," the Commission also stated that it would "not . . . publish in our publicly available reports individual provider-filed data for the broadband (Part 1) portion of the Form, *even where providers do not seek non-disclosure of this data.*" *Id.* at ¶91 (emphasis added). In fact, rather than require carriers to submit a detailed and specialized request with the Form, the Commission offered filers a "check-box" on the Form in order to "mak[e] it easier for providers to request confidential treatment of their data." *Id.* at ¶90. This

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same approach – the checking of a box to assert confidentiality – is also available to filers of the financial information required by the submission of the FCC’s FCC Form 499-A and FCC Form 499-Q. *See* 2016 FCC Form 499-A, line 605 and 2015 Telecommunications Reporting Worksheet Instructions (FCC Form 499-A), Form 499-A at 46; *see also* FCC Form 499-Q, line 121 and Telecommunications Reporting Worksheet, FCC Form 499-Q (2016) Instructions for Completing the Quarterly Worksheet for Filing Contributions to Universal Service Support Mechanisms at 19.

Likewise, and as noted above, when submitting similar outage information, the Commission’s Rules provide for presumptive confidential treatment. *See* 47 C.F.R. ¶ 4.2. Line 220 seeks, if applicable, the “NORS” file numbers associated with the Part 4 electronic network outage reporting system contemplated by the Commissions’ Rules. *See, e.g.*, 47 C.F.R. § 4.11; *see also* <https://www.fcc.gov/nors/outage/>. The Company respectfully submits that similar treatment of its Network Outage Information encourages consistent treatment across classes of similar information, a result clearly advancing the public interest in proper reporting.

The Company respectfully submits that similar concerns that the Commission has recognized previously regarding the competitively-sensitive nature of carrier data are applicable here; the data related to current and future plans of Company found in the Annual Progress Plan Information reflects construction projects reflected in the Annual Progress Report Plan is at least as, if not more, competitively-sensitive than the type submitted in other FCC forms. For example, unlike the Form 477 Information which describes current broadband capabilities and FCC Form 499-A regarding prior year revenues and FCC Form 499-Q regarding prior quarter and projected quarter revenues, the Annual Progress Plan also reflects the Company’s reasoned business decision making as to future actions and the status of them that it believes are necessary to ensure quality service over its network. Similarly, the Commission already requires similar information as that provided regarding the Network Outage Information to be filed as confidential outside the scope of the FCC Form 481 filing. Consistent confidential treatment of very similar information as filed in the FCF Form 481 submission is only logical, appropriate and otherwise consistent with the public interest.

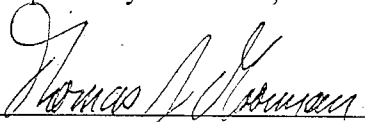
Relief Requested

Therefore, for all of the reasons stated herein, the Company respectfully requests that the Company’s Section 54.313(f)(2) financial information be treated as confidential under the requirements of the Protective Order. The Company also respectfully requests that the Commission to recognize that the Annual Progress Report, Information Network Outage Information and unadvertised broadband pricing-related information for which confidential treatment is requested, as described above, be withheld from public inspection. Pursuant to the requirements of the Protective Order and Section 0.459(a) of the Commission’s Rules, the materials to which this request applies are submitted physically separated from any materials to

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
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which the request does not apply and are marked "REDACTED – FOR PUBLIC INSPECTION". Moreover, pages containing Section 54.313(f)(2) confidential information are marked "CONFIDENTIAL INFORMATION — SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION." Further, pages containing information regarding the Company's Annual Progress Report Information, Network Outage Information and unadvertised broadband pricing-related information are marked "CONFIDENTIAL".

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Moorman", is written over a horizontal line.

Thomas J. Moorman

James A. Overcash

Counsel for

Valley Telephone Cooperative, Inc.

Attachment

cc: Steven D. Metts

DECLARATION

I, Steven D. Metts, Chief Executive Officer of Valley Telephone Cooperative, Inc. (the "Company"), do hereby declare under penalties of perjury that I have read the foregoing request for confidential treatment and the information contained therein regarding the Company is true and accurate to the best of my knowledge, information, and belief.



Steven D. Metts
Chief Executive Officer

Date: 6/30/16

FCC Form 481 - Carrier Annual Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2017
<030>	Contact Name: Person USAC should contact with questions about this data	Virgil Barnard
<035>	Contact Telephone Number: Number of the person identified in data line <030>	5203848932 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	virgil.barnard@vtc.net
Form Type		54.313 and 54.422

(100) Service Quality Improvement Reporting Data Collection Form					
FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013	492176	VALLEY TEL COOP - NM			
<010> Study Area Code	492176	VALLEY TEL COOP - NM			
<015> Study Area Name	2017	Virgil Barnard			
<020> Program Year	520384932 ext.	virgil.barnard@vtc.net			
<030> Contact Name - Person USAC should contact regarding this data					
<035> Contact Telephone Number - Number of person identified in data line <030>					
<039> Contact Email Address - Email Address of person identified in data line <030>					
<110> Has your company received its ETC certification from the FCC? If your answer to Line <110> is yes, do you have an existing \$54.202(a) "5 year plan" filed with the FCC?		<input type="radio"/> (yes / no)			
<111> year plan" filed with the FCC?		<input type="radio"/> (yes / no)			
<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.			<div style="border: 1px solid black; padding: 5px;">452176-A2-Service Quality Improvement-Line 112.pdf</div>		
<p>Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.</p>					
<113> Maps detailing progress towards meeting plan targets			<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">Not Applicable</td></tr> <tr><td style="width: 50%;">Yes</td></tr> </table>	Not Applicable	Yes
Not Applicable					
Yes					
<114> Report how much universal service (USF) support was received			<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">Not Applicable</td></tr> <tr><td style="width: 50%;">Yes</td></tr> </table>	Not Applicable	Yes
Not Applicable					
Yes					
<115> How much (USF) was used to improve service quality and how support was used to improve service quality			<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">Not Applicable</td></tr> <tr><td style="width: 50%;">Yes</td></tr> </table>	Not Applicable	Yes
Not Applicable					
Yes					
<116> How much (USF) was used to improve service coverage and how support was used to improve service coverage			<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">Not Applicable</td></tr> <tr><td style="width: 50%;">Yes</td></tr> </table>	Not Applicable	Yes
Not Applicable					
Yes					
<117> How much (USF) was used to improve service capacity and how support was used to improve service capacity			<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">Not Applicable</td></tr> <tr><td style="width: 50%;">Yes</td></tr> </table>	Not Applicable	Yes
Not Applicable					
Yes					
<118> Provide an explanation of network improvement targets not met in the prior calendar year.					

Name of Attached Document

FCC Form 481
 OMB Control No.: 3060-0986/OMB Control No. 3060-0819
 July 2013

492176	VALLEY TEL COOP - NM
2017	Virgil Bernard
	5203848932 ext.
	virgil.bernard@vcc.h

210> For the prior calendar year, were there any reportable voice service outages?

-- See attached worksheet --

(300) Unfulfilled Service Request
Data Collection Form

FCC Form 481
OMB Control No. 3060-0886/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	42176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	5203848932 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@tc.net

<300> Unfulfilled service request (voice)

<310> Detail on attempts (voice)

<320> Unfulfilled service request (broadband)

<330> Detail on attempts (broadband)

Name of Attached Document

Name of Attached Document

(400) Number of Complaints per 1,000 customers
Data Collection Form

FCC Form 481
OMB Control No. 3050-0986/OMB Control No., 3050-0819
July 2013

<010>	Study Area Code	452176
<015>	Study Area Name	VALLEY TEL COOP - IN
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Vigil Eynard
<035>	Contact Telephone Number - Number of person identified in data line <030>	5203849932 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	Vigil1.harpard@vcc.net
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed voice
<410>	Complaints per 1000 customers for fixed voice	0.0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered only fixed broadband
<440>	Complaints per 1000 customers for fixed broadband	0.0
<450>	Complaints per 1000 customers for mobile broadband	

(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	492176
<015>	Study Area Name	VAHLEY TEL COOP - 521
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Bernard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520344032 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.bernard@vcc.net
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes

<510> Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance 492176-WH-Service Quality Standards and Consumer Protection-Line510.pdf

(600) Functionality in Emergency Situations
Data Collection Form

FCC Form 461
OMB Control No. 3050-0966/OMB Control No. 3050-0819
July 2013

<010> Study Area Code	492176
<015> Study Area Name	VALLEY TEL COOP - 101
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	Wesley Saunders
<035> Contact Telephone Number - Number of person identified in data line <030>	9203344932 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	Wesley.Saunders@vtc.net
<600> Certify compliance regarding ability to function in emergency situations	Yes
<610> Descriptive document for Functionality in Emergency Situations	492176-101-Emergency Situations-Line 610.pdf

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3050-0819
July 2013

192176

VALLEY TEL COOP - NM

2017

Virgil Baynard

e<030>
5203848932 ext.

```
ne <030> v:rgil.barrad@vc.net
```

1/1/2016

<701>	Residential Local Service Charge Effective Date
<702>	'Single State-wide Residential Local Service Charge

[illegible]

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
OMB Control No. 3060-0086/OMB Control No. 3060-0819
July 2013

<010> Study Area Code 492176
 <015> Study Area Name VALLEY TEL COOP - NN
 <020> Program Year 2017
 <030> Contact Name - Person USAC should contact regarding this data Virgil Barnard
 <035> Contact Telephone Number - Number of person identified in data line <030> 5203848932 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> virgil.barnard@vtc.net

<01>	<02>	<03>	<04>	<05>	<06>	<07>	<08>	<09>	<10>	<11>	<12>	<13>	<14>	<15>	<16>	<17>	<18>	<19>	<20>	<21>	<22>	<23>	<24>	<25>	<26>	<27>	<28>	<29>	<30>	<31>	<32>	<33>	<34>	<35>	<36>	<37>	<38>	<39>	<40>	<41>	<42>	<43>	<44>	<45>	<46>	<47>	<48>	<49>	<50>	<51>	<52>	<53>	<54>	<55>	<56>	<57>	<58>	<59>	<60>	<61>	<62>	<63>	<64>	<65>	<66>	<67>	<68>	<69>	<70>	<71>	<72>	<73>	<74>	<75>	<76>	<77>	<78>	<79>	<80>	<81>	<82>	<83>	<84>	<85>	<86>	<87>	<88>	<89>	<90>	<91>	<92>	<93>	<94>	<95>	<96>	<97>	<98>	<99>	<100>	<101>	<102>	<103>	<104>	<105>	<106>	<107>	<108>	<109>	<110>	<111>	<112>	<113>	<114>	<115>	<116>	<117>	<118>	<119>	<120>	<121>	<122>	<123>	<124>	<125>	<126>	<127>	<128>	<129>	<130>	<131>	<132>	<133>	<134>	<135>	<136>	<137>	<138>	<139>	<140>	<141>	<142>	<143>	<144>	<145>	<146>	<147>	<148>	<149>	<150>	<151>	<152>	<153>	<154>	<155>	<156>	<157>	<158>	<159>	<160>	<161>	<162>	<163>	<164>	<165>	<166>	<167>	<168>	<169>	<170>	<171>	<172>	<173>	<174>	<175>	<176>	<177>	<178>	<179>	<180>	<181>	<182>	<183>	<184>	<185>	<186>	<187>	<188>	<189>	<190>	<191>	<192>	<193>	<194>	<195>	<196>	<197>	<198>	<199>	<200>	<201>	<202>	<203>	<204>	<205>	<206>	<207>	<208>	<209>	<210>	<211>	<212>	<213>	<214>	<215>	<216>	<217>	<218>	<219>	<220>	<221>	<222>	<223>	<224>	<225>	<226>	<227>	<228>	<229>	<230>	<231>	<232>	<233>	<234>	<235>	<236>	<237>	<238>	<239>	<240>	<241>	<242>	<243>	<244>	<245>	<246>	<247>	<248>	<249>	<250>	<251>	<252>	<253>	<254>	<255>	<256>	<257>	<258>	<259>	<260>	<261>	<262>	<263>	<264>	<265>	<266>	<267>	<268>	<269>	<270>	<271>	<272>	<273>	<274>	<275>	<276>	<277>	<278>	<279>	<280>	<281>	<282>	<283>	<284>	<285>	<286>	<287>	<288>	<289>	<290>	<291>	<292>	<293>	<294>	<295>	<296>	<297>	<298>	<299>	<300>	<301>	<302>	<303>	<304>	<305>	<306>	<307>	<308>	<309>	<310>	<311>	<312>	<313>	<314>	<315>	<316>	<317>	<318>	<319>	<320>	<321>	<322>	<323>	<324>	<325>	<326>	<327>	<328>	<329>	<330>	<331>	<332>	<333>	<334>	<335>	<336>	<337>	<338>	<339>	<340>	<341>	<342>	<343>	<344>	<345>	<346>	<347>	<348>	<349>	<350>	<351>	<352>	<353>	<354>	<355>	<356>	<357>	<358>	<359>	<360>	<361>	<362>	<363>	<364>	<365>	<366>	<367>	<368>	<369>	<370>	<371>	<372>	<373>	<374>	<375>	<376>	<377>	<378>	<379>	<380>	<381>	<382>	<383>	<384>	<385>	<386>	<387>	<388>	<389>	<390>	<391>	<392>	<393>	<394>	<395>	<396>	<397>	<398>	<399>	<400>	<401>	<402>	<403>	<404>	<405>	<406>	<407>	<408>	<409>	<410>	<411>	<412>	<413>	<414>	<415>
State	Exchange (ILEC)	Residential Rate	State Regulated Fees	Total Rate and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Unit Reached (select)																																																																																																																																																																																																																																																																																																																																																																																																																						
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Page 10

Page 11

(1000) Voice and Broadband Service Rate Comparability
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	5203448932 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtcc.net

<1000>	Voice services rate comparability certification	Yes
<1010>	Attach detailed description for voice services rate comparability compliance	492176-NM-Voice Service Comparability-Line 1010.pdf
<1020>	Broadband comparability certification	<p>Name of Attached Document</p> <p>Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau</p>
<1030>	Attach detailed description for broadband comparability compliance	<p>492176-NM-Broadband Price Comparability-Line 1030.pdf</p> <p>Name of Attached Document</p>

(1100) No Terrestrial Backhaul Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013	
<010>	Study Area Code	492176	
<015>	Study Area Name	VALLEY TEL COOP - NM	
<020>	Program Year	2017	
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard	
<035>	Contact Telephone Number - Number of person identified in data line <030>	5203846932 ext.	
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net	

<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013	
Data Collection Form			
<010>	Study Area Code	492176	
<015>	Study Area Name	VALLEY TEL COOP - NH	
<020>	Program Year	2017	
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard	
<035>	Contact Telephone Number - Number of person identified in data line <030>	520341932 ext.	
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net	
<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	<div style="border: 1px solid black; padding: 5px;"> 492176-NH-Lifeline Terms & Conditions-Line 1210.pdf </div>	
<1220>	Link to Public Website	HTTP <div style="border: 1px solid black; width: 200px; height: 100px; display: flex; align-items: center; justify-content: center;"> Name of Attached Document </div>	

*Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

(2000) Price Cap Carrier Additional Documentation
Data Collection Form
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481
OMB Control No.: 3060-0986/OMB Control No.: 3060-0819
July 2013

492176
VALLEY TEL COOP - NM
2017

<010> Study Area Code
<015> Study Area Name
<020> Program Year
<030> Contact Name - Person USAC should contact regarding this data
<035> Contact Telephone Number - Number of person identified in data line <030> Virgil Barnard
<039> Contact Email Address - Email Address of person identified in data line <030> 5203848922@exc.
virgil.barnard@exc.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification 47 CFR § 54.313(b)(1)(i) - Note that for the July 1 2016 certification, this applies to Round 2 recipients of Incremental Support

<2011> 3rd Year Certification 47 CFR § 54.313(b)(1)(iii) - Note that for the July 1 2016 certification, this applies to Round 1 recipients of Incremental Support

<2022> Recipient certifies, representing year two after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year two - 54.313(b)(2)(ii). Round 2 recipients only.

<2023> Attach list of census blocks indicating where funding was spent in year two - 54.313(b)(2)(ii). Round 2 recipients only.
Round 1 or Round 2 Recipient of Incremental Support?

<2024A> Attach geocoded information for Phase I milestone reports (Round 1 for year three and Round 2 for year two) - Connect America Fund, WC Docket 10-90, Report and Order, FCC 13-

<2024B> Attach list of census blocks indicating where funding was spent in year two - 54.313(b)(2)(ii). Round 2 recipients only.

<2025A> Round 1 or Round 2 Recipient of Incremental Support?

<2025B> Attach geocoded information for Phase I milestone reports (Round 1 for year three and Round 2 for year two) - Connect America Fund, WC Docket 10-90, Report and Order, FCC 13-

<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing Required Information

Name of Attached Document Listing Required Information

(2000) Price Cap Carrier Additional Documentation (Continued)
 Data Collection Form
 Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017B> Attach information for Phase II - 54.313(e)(1) - list of geocoded locations already meeting the 54.309 public interest obligations at the end of calendar year 2015 and total amount of Phase II support, if any, the price

<2018> cap carrier used for capital expenditures in 2015. Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(2)(ii)

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(2)(v)

<2020> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 40% of its supported locations in the state on December 31, 2017 - 54.313(e)(3)

<2021> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 60% of its supported locations in the state on December 31, 2018 - 54.313(e)(4)

<2026> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 80% of its supported locations in the state on December 31, 2019 - 54.313(e)(5)

<2027> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 100% of its supported locations in the state on December 31, 2020 - 54.313(e)(6)

Name of Attached Document Listing Required Information

Name of Attached Document Listing Required Information

(3005) Rate Of Return Carrier Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0266/OMB Control No. 3060-0319 July 2013
--	--

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	5203848932 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

Complete the items below to note compliance with five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009) Progress Report on 5 Year Plan
Carrier certifies to 54.313(f)(1)(iii)

Yes - Attach Certification

(3010A) Milestone Certification [47 CFR § 54.313(f)(1)(i)]

(3010B) Please Provide Attachment

Name of Attached Document Listing Required
Information

492176-1111-Broadband Milestone Cert-Line 3010.pdf

(3012A) Community Anchor Institutions (47 CFR § 54.313(f)(4)(i))

No - No New Community Anchors

(3012B) Please Provide Attachment

Name of Attached Document Listing Required

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))

(Yes/No)

☒ ☐

(3014) If yes, does your company file the RUS annual report

(Yes/No)

☒ ☐

Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

☒

(3016) Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows

☒

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

Name of Attached Document Listing Required
Information

492176-1111-RUS Report-Line 3017.pdf

(3018) If the response is no on line 3014, is your company audited?

(Yes/No)

☐ ☐

If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:

(3019) Either a copy of their audited financial statement; or

☐

(3020) (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers

☐

(3021) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☐

(3022) Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.

☐

If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers

☐

(3023) Underlying information subjected to a review by an independent certified public accountant

☐

(3024) Underlying information subjected to an officer certification.

☐

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☐

(3026) Attach the worksheet listing required information

Name of Attached Document Listing Required
Information

(3005) Rate Of Return Carrier Additional Documentation (Continued)

Data Collection Form

FCC Form 481
OMB Control No. 3060-0585/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - NM
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	520848932 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

- Financial Data Summary
- (3027) Revenue

(3028) Operating Expenses

(3029) Net Income

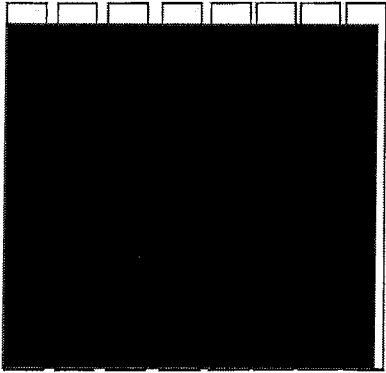
(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends



(4005) Rural Broadband Experiment Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
--	--

<010>	Study Area Code	492178
<015>	Study Area Name	VALLEY TEL COOP - INC
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Bernard
<035>	Contact Telephone Number - Number of person identified in data line <030>	5201845932 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	virgil.bernard@vtc-inc.com

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	492176
<015> Study Area Name	VALLEY TEL COOP - NH
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035> Contact Telephone Number - Number of person identified in data line <030>	5203848932 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vctc.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: VALLEY TEL COOP - NH	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/30/2016
Printed name of Authorized Officer: Steven Metts	
Title or position of Authorized Officer: CEO	
Telephone number of Authorized Officer: 5203842231 ext.	
Study Area Code of Reporting Carrier: 492176	Filing Due Date for this form: 07/01/2016
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent/ Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0886/OMA Control No. 3060-0819 July 2013
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<010> Study Area Code	492176
<015> Study Area Name	VALLEY TEL COOP - NM
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035> Contact Telephone Number - Number of person identified in data line <030>	5203848932 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vtc.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

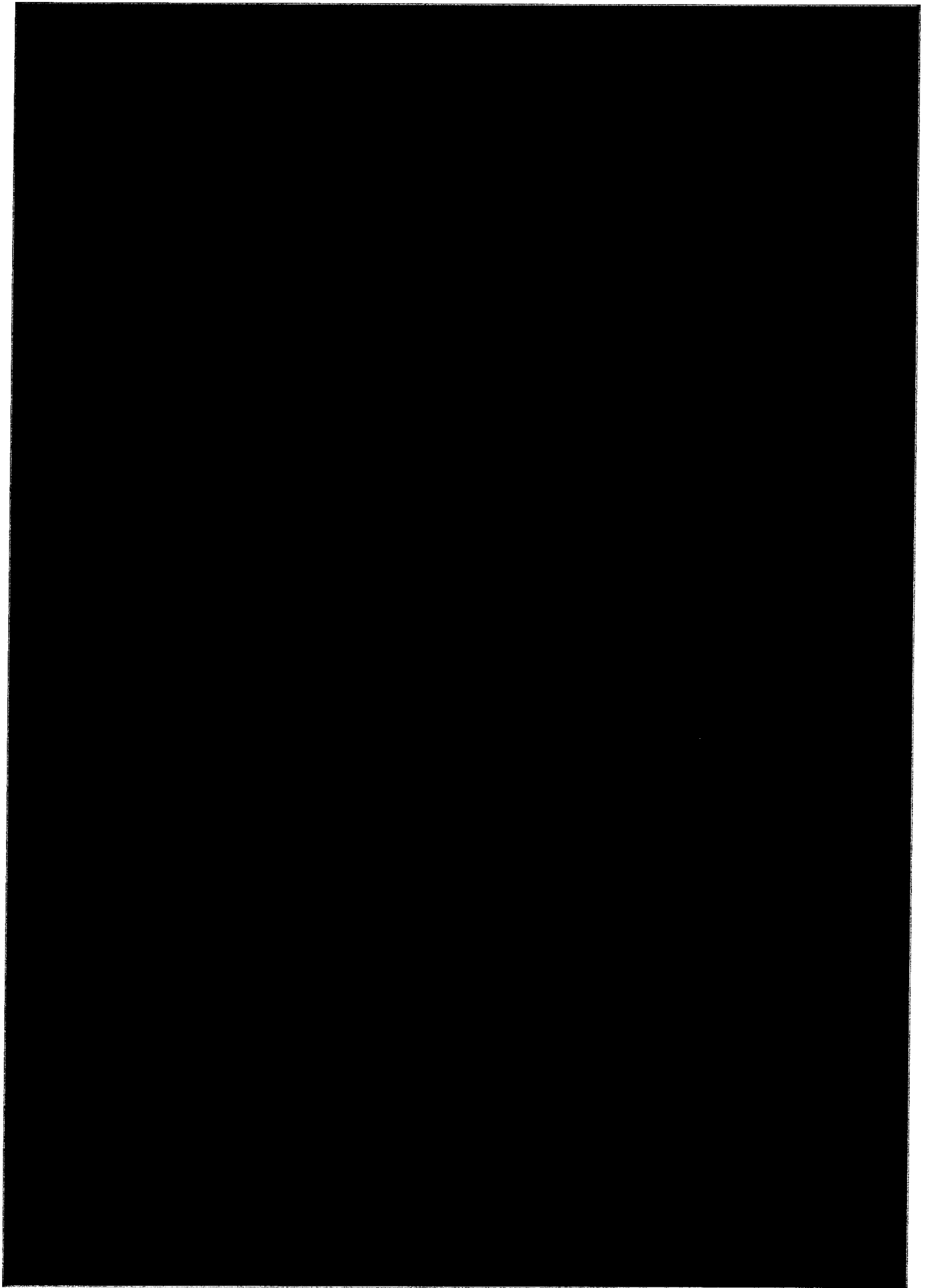
Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

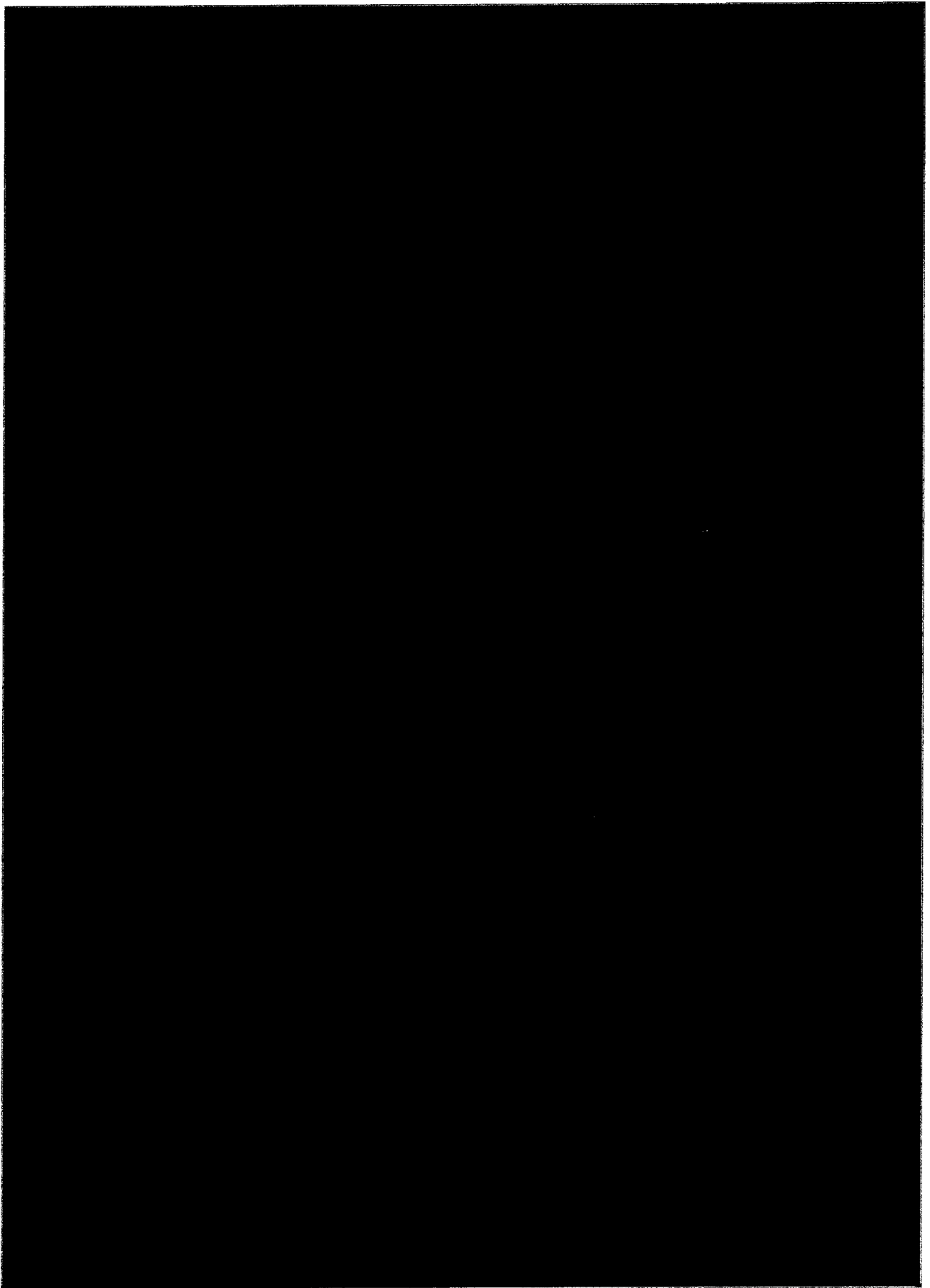
Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	
Name of Authorized Agent Firm:	
Signature of Authorized Agent or Employee of Agent:	Date:
Name of Authorized Agent Employee:	
Title or position of Authorized Agent or Employee of Agent:	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

Response Line 112
Valley Telephone Cooperative, Inc.
Study Area 492176



Response Line 112
Valley Telephone Cooperative, Inc.
Study Area 492176



FCC Form 481
OMB Control No. 3060-0586/OMB Control No. 3060-0819
July 2013

492176

VALLEY TEL COOP - NM

2017

Virgil Barnard

5203848932 ext.

vikgjl.barnarðvct.net

Yes

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REDACTED - FOR PUBLIC INSPECTION

Response to Line 510

Description of Efforts in Compliance With
Service Quality Standards and Consumer Protection for Voice and Broadband Networks

Valley Telephone Cooperative, Inc.

SAC 492176

Valley Telephone Cooperative, Inc. (the Company) is a wireline rural local exchange carrier serving as an ETC in southeast Arizona and southwest New Mexico. The company complies with all state and federal service quality and consumer protection standards.

The Company continually strives to maintain the highest customer satisfaction by consistently going beyond the minimum standards of service quality and consumer protection. The Company regularly trains all customer contact personnel in CPNI and Red Flag rules in order to maintain strict compliance. This training is designed to enforce compliance with relevant state standards for consumer protection and quality of service.

Response to Line 610

Certification of Functionality in Emergency Situations for

Valley Telephone Cooperative, Inc.

SAC 492176

Valley Telephone Cooperative, Inc. (the Company) is a wireline rural local exchange carrier serving as an ETC in southeast Arizona and southwest New Mexico.

In order to assure reasonable back-up power to protect functionality in the event of failure of the external power grid the Company has equipped all central offices with a minimum of eight hours of battery backup plus stationary generators with on-site fuel supplies that are capable of a minimum of one week run time. All remote carrier facilities are equipped battery backup that is designed to last at least eight hours. The Company maintains an additional generator on wheels that can be deployed in the event of a need. All batteries are routinely maintained and replaced as needed. All generators are regularly tested and serviced to assure readiness.

The network employed by the Company has electronic redundancy in all layer 3 network segments and most layer 2 network segments. The Company has the ability to route traffic remotely in outage or emergency situations in layer 3 and most layer 2 networks.

The Company has the capability to prioritize traffic in emergency situations.

<010>	Study Area Code	492176
<015>	Study Area Name	VALLEY TEL COOP - WM
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Virgil Barnard
<035>	Contact Telephone Number - Number of person identified in data line <030>	5203848932 ext.
<038>	Contact Email Address - Email Address of person identified in data line <030>	virgil.barnard@vcc.net
<701>	Residential Local Service Charge Effective Date	1/1/2016
<702>	Single State-wide Residential Local Service Charge	
<703>		

[illegible]

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

[illegible]

State	Exchange (LLEC)	Residential Rate	State Regulated Fees	Total Rates and Fees	Broadband Service - Download Speed (Mbps)	Broadband Service - Upload Speed (Mbps)	Usage Allowance (GB)	Usage Allowance Action Taken When Limit Reached (select)
AZ	ALL	39.95	0.0	39.95	1.5	0.5	999999.0	Other, Unlimited Usage
AZ	ALL	49.95	0.0	49.95	3.0	0.5	999999.0	Other, Unlimited Usage
AZ	ALL	59.95	0.0	59.95	5.0	0.5	999999.0	Other, Unlimited Usage
[REDACTED]								
AZ	ALL	59.95	0.0	59.95	20.0	3.0	999999.0	Other, Unlimited Usage
AZ	ALL	69.95	0.0	69.95	30.0	3.0	999999.0	Other, Unlimited Usage
AZ	ALL	79.95	0.0	79.95	40.0	3.0	999999.0	Other, Unlimited Usage
NM	ALL	39.95	0.0	39.95	1.5	0.5	999999.0	Other, Unlimited Usage
NM	ALL	49.95	0.0	49.95	3.0	0.5	999999.0	Other, Unlimited Usage
NM	ALL	59.95	0.0	59.95	5.0	0.5	999999.0	Other, Unlimited Usage
[REDACTED]								
NM	ALL	59.95	0.0	59.95	20.0	3.0	999999.0	Other, Unlimited Usage
NM	ALL	69.95	0.0	69.95	30.0	3.0	999999.0	Other, Unlimited Usage
NM	ALL	79.95	0.0	79.95	40.0	3.0	999999.0	Other, Unlimited Usage
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Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

[illegible]

Response to Line 1010
Valley Telephone Cooperative, Inc.
Study Area 492176

Voice Services Comparability Report

Pursuant to 47 C.F.R. § 54.313 (a) (10) Valley Telephone Cooperative, Inc. ("Valley") is in compliance with the requirement that voice services is no more than two standard deviations above the national average urban rate for voice service of \$41.07 as specified in Public Notice DA 16-362 issued on April 5, 2016. Valley's current total local end-user rate¹ of \$17.44 (which includes a local fee of \$16.00 and surcharges and any EAS) is not above the standard deviation as specified in the USF/ICC Transformation Order.²

¹ Local End User Rate as defined in USF/ICC Transformation Order 26 FCC Rcd at 17751, Para. 238

² USF/ICC Transformation Order, 26 FCC Rcd at 17694, Para. 84 (footnote included) "The standard deviation is a measure of dispersion. The sample standard deviation is the square root of the sample variance. The sample variance is calculated as the sum of the squared deviations of the individual observations in the sample of data from the sample average divided by the total number of observations in the sample minus one. In a normal distribution, about 68 percent of the observations lie within one standard deviation above and below the average and about 95 percent of the observations lie within two standard deviations above and below the average."

Response to Line 1030
Valley Telephone Cooperative, Inc.
492176

Broadband Services Comparability Report

Pursuant to 47 C.F.R. § 54.313 (a) (11) Valley Telephone Cooperative, Inc. ("Valley") charges a residential rate of \$59.95 for broadband providing 10 Mbps download, 1.5 Mbps upload, and an unlimited usage allowance. This rate is lower than \$75.26, which is the 2016 reasonable comparability benchmark for the same offering established by the Wireline Competition Bureau.¹

¹ Wireline Competition Bureau Announces Results of 2016 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes, Public Notice, WC Docket No. 10-90, DA 16-362 (rel. April 6, 2016).

Response to Line 1210

Description of Lifeline Terms and Conditions

Valley Telephone Cooperative, Inc.

SAC 492176

Valley Telephone Cooperative, Inc. (the Company) is a wireline rural local exchange carrier serving as an ETC in southeast Arizona and southwest New Mexico. The lifeline service offered has unlimited local calling and equal access to the long distance provider of the customer's choice.

The Company is an equal access ILEC and therefore provides all customers the option to utilize the toll provider of their choice.

The residential rate for local service from July 1, 2015 to June 30, 2016 was \$16.00 in Arizona and \$16.00 in New Mexico before consideration of the applicable state and federal lifeline discounts.

Response to Line3010
Valley Telephone Cooperative, Inc.
Study Area 492176

Milestone Certification

Pursuant to 47 C.F.R. § 54.202(a) Valley Telephone Cooperative, Inc. ("Valley") provides this certification that it is taking reasonable steps to provide upon reasonable request broadband speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to offerings in urban areas as determined in an annual survey as specified in Public Notice DA 16-362, and that requests for such service are met within a reasonable amount of time. Details for how Valley is meeting its goals of serving rural customers while satisfying required obligations are specified within the FCC Form 481 annual filing.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0031. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

<p align="center">USDA-RUS</p> <p align="center">OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p><i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 991 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i></p> <p>BORROWER NAME</p> <p align="center">Valley Telephone Cooperative, Inc.</p> <p align="center">(Prepared with Audited Data)</p>	
<p><i>INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.</i></p>	<p>PERIOD ENDING December, 2015</p>	<p>BORROWER DESIGNATION AZ0507</p>
<p align="center">CERTIFICATION</p> <p><i>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</i></p> <p>ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p> <p align="center">DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII (Check one of the following)</p> <div style="display: flex; justify-content: space-between;"> <div style="width:45%;"> <p><input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects</p> </div> <div style="width:45%;"> <p><input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report</p> </div> </div> <p>_____ Steven Metts</p> <p align="center">3/31/2016 DATE</p>		

PART A. BALANCE SHEET				
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	
				BALANCE PRIOR YEAR BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES	
1. Cash and Equivalents			25. Accounts Payable	
2. Cash-RUS Construction Fund			26. Notes Payable	
3. Affiliates:			27. Advance Billings and Payments	
a. Telecom, Accounts Receivable			28. Customer Deposits	
b. Other Accounts Receivable			29. Current Mat. L/T Debt	
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.	
4. Non-Affiliates:			31. Current Mat.-Capital Leases	
a. Telecom, Accounts Receivable			32. Income Taxes Accrued	
b. Other Accounts Receivable			33. Other Taxes Accrued	
c. Notes Receivable			34. Other Current Liabilities	
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	
6. Material-Regulated			LONG-TERM DEBT	
7. Material-Nonregulated			36. Funded Debt-RUS Notes	
8. Prepayments			37. Funded Debt-RTB Notes	
9. Other Current Assets			38. Funded Debt-FFB Notes	
10. Total Current Assets (1 Thru 9)			39. Funded Debt-Other	
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	
a. Rural Development			42. Recquired Debt	
b. Nonrural Development			43. Obligations Under Capital Lease	
12. Other Investments			44. Adv. From Affiliated Companies	
a. Rural Development			45. Other Long-Term Debt	
b. Nonrural Development			46. Total Long-Term Debt (36 thru 45)	
13. Nonregulated Investments			OTHER LIAB. & DEF. CREDITS	
14. Other Noncurrent Assets			47. Other Long-Term Liabilities	
15. Deferred Charges			48. Other Deferred Credits	
16. Jurisdictional Differences			49. Other Jurisdictional Differences	
17. Total Noncurrent Assets (11 thru 16)			50. Total Other Liabilities and Deferred Credits (47 thru 49)	
PLANT, PROPERTY, AND EQUIPMENT			EQUITY	
18. Telecom, Plant-in-Service			51. Cap. Stock Outstand. & Subscribed	
19. Property Held for Future Use			52. Additional Paid-in-Capital	
20. Plant Under Construction			53. Treasury Stock	
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates	
22. Less Accumulated Depreciation			55. Other Capital	
23. Net Plant (18 thru 21 less 22)			56. Patronage Capital Credits	
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	
			58. Total Equity (51 thru 57)	
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	

Total Equity = ██████████ % of Total Assets

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		BORROWER DESIGNATION A20507	
INSTRUCTIONS- See RUS Bulletin 1744-2		PERIOD ENDING December, 2015	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM	PRIOR YEAR	THIS YEAR	
1. Local Network Services Revenues			
2. Network Access Services Revenues			
3. Long Distance Network Services Revenues			
4. Carrier Billing and Collection Revenues			
5. Miscellaneous Revenues			
6. Uncollectible Revenues			
7. Net Operating Revenues (1 thru 5 less 6)			
8. Plant Specific Operations Expense			
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)			
10. Depreciation Expense			
11. Amortization Expense			
12. Customer Operations Expense			
13. Corporate Operations Expense			
14. Total Operating Expenses (8 thru 13)			
15. Operating Income or Margins (7 less 14)			
16. Other Operating Income and Expenses			
17. State and Local Taxes			
18. Federal Income Taxes			
19. Other Taxes			
20. Total Operating Taxes (17+18+19)			
21. Net Operating Income or Margins (15+16-20)			
22. Interest on Funded Debt			
23. Interest Expense - Capital Leases			
24. Other Interest Expense			
25. Allowance for Funds Used During Construction			
26. Total Fixed Charges (22+23+24-25)			
27. Nonoperating Net Income			
28. Extraordinary Items			
29. Jurisdictional Differences			
30. Nonregulated Net Income			
31. Total Net Income or Margins (21+27+28+29+30-26)			
32. Total Taxes Based on Income			
33. Retained Earnings or Margins Beginning-of-Year			
34. Miscellaneous Credits Year-to-Date			
35. Dividends Declared (Common)			
36. Dividends Declared (Preferred)			
37. Other Debits Year-to-Date			
38. Transfers to Patronage Capital			
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]			
40. Patronage Capital Beginning-of-Year			
41. Transfers to Patronage Capital			
42. Patronage Capital Credits Retired			
43. Patronage Capital End-of-Year (40+41-42)			
44. Annual Debt Service Payments			
45. Cash Ratio [(14+20-10-11) / 7]			
46. Operating Accrual Ratio [(14+20+26) / 7]			
47. TIER [(31+26) / 26]			
48. DSCR [(31+26+10+11) / 44]			

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS INSTRUCTIONS - See RUS Bulletin 1744-2						BORROWER DESIGNATION AZ0507 PERIOD ENDED December, 2015	
Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION							
EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Playas	21.53	16.00					
Columbus/Las Palomas	21.53	16.00					
Animas	21.53	16.00					
Portal/Rodeo	20.64	16.00					
Sunizona	19.75	16.00					
Pearce	19.75	16.00					
Bonita	19.75	16.00					
San Simon	19.75	16.00					
Bowie	19.75	16.00					
MobileWireless							
Route Mileage Outside Exchange Area							
Total							
No. Exchanges							

<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p> <p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>BORROWER DESIGNATION AZ0507</p> <p>PERIOD ENDED December, 2015</p>
---	---

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service								
EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	StandAlone/Pckg (f)	Type Of Technology (g)
Playas							StandAlone	DSL
Columbus/Las Palomas							StandAlone	DSL
Animas							StandAlone	DSL
Portal/Rodeo							StandAlone	DSL
Sunizona							StandAlone	DSL
Pearce							StandAlone	DSL
Bonita							StandAlone	DSL
San Simon							StandAlone	DSL
Bowie							StandAlone	DSL
Total								

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION AZ0507 PERIOD ENDING December, 2015
--	---

INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA

1. No. Plant Employees	2. No. Other Employees	3. Square Miles Served	4. Access Lines per Square Mile	5. Subscribers per Route Mile
------------------------	------------------------	------------------------	---------------------------------	-------------------------------

PART E. TOLL DATA

1. Study Area ID Code(s) a. [REDACTED] b. [REDACTED] c. [REDACTED] d. [REDACTED] e. [REDACTED] f. [REDACTED] g. [REDACTED] h. [REDACTED] i. [REDACTED] j. [REDACTED]	2. Types of Toll Settlements (Check one) <table style="width: 100%;"> <tr> <td style="width: 40%;">Interstate:</td> <td style="width: 20%;"><input type="checkbox"/> Average Schedule</td> <td style="width: 40%;"><input checked="" type="checkbox"/> Cost Basis</td> </tr> <tr> <td>Intrastate:</td> <td><input type="checkbox"/> Average Schedule</td> <td><input checked="" type="checkbox"/> Cost Basis</td> </tr> </table>	Interstate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis	Intrastate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis
Interstate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis					
Intrastate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis					

PART F. FUNDS INVESTED IN PLANT DURING YEAR

1. RUS, RTB, & FFB Loan Funds Expended	
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	[REDACTED]
5. General Funds Expended (Other than Interim)	[REDACTED]
6. Salvaged Materials	
7. Contribution in Aid to Construction	[REDACTED]
8. Gross Additions to Telecom. Plant (1 thru 7)	

PART G. INVESTMENTS IN AFFILIATED COMPANIES

INVESTMENTS	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year	Income/Loss This Year	Cumulative Investment To Date	Cumulative Income/Loss To Date	Current Balance
	(b)	(c)	(d)	(e)	(f)
(a)					
1. Investment in Affiliated Companies - Rural Development		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2. Investment in Affiliated Companies - Nonrural Development					

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION AZ0507 PERIOD ENDING December, 2015
PART H. CURRENT DEPRECIATION RATES	
Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one) <input checked="checked" type="checkbox"/> YES <input type="checkbox"/> NO 	
EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	33.00%
2. Land and support assets - Aircraft	20.00%
3. Land and support assets - Special purpose vehicles	20.00%
4. Land and support assets - Garage and other work equipment	4.00%
5. Land and support assets - Buildings	10.00%
6. Land and support assets - Furniture and Office equipment	20.00%
7. Land and support assets - General purpose computers	9.00%
8. Central Office Switching - Digital	5.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	5.00%
11. Central Office Transmission - Radio Systems	9.00%
12. Central Office Transmission - Circuit equipment	8.00%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	10.00%
18. Cable and wire facilities - Poles	6.00%
19. Cable and wire facilities - Aerial cable - Metal	6.00%
20. Cable and wire facilities - Aerial cable - Fiber	4.00%
21. Cable and wire facilities - Underground cable - Metal	4.00%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	5.00%
24. Cable and wire facilities - Buried cable - Fiber	4.00%
25. Cable and wire facilities - Conduit systems	20.00%
26. Cable and wire facilities - Other	

USDA-RUS		BORROWER DESIGNATION AZ0507	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		PERIOD ENDED December, 2015	
INSTRUCTIONS – See help in the online application.			
PART I – STATEMENT OF CASH FLOWS			
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)			
CASH FLOWS FROM OPERATING ACTIVITIES			
2. Net Income			
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
3. Add: Depreciation			
4. Add: Amortization			
5. Other (Explain) Deprec Allocated to Affiliate Companies			
Changes in Operating Assets and Liabilities			
6. Decrease/(Increase) in Accounts Receivable			
7. Decrease/(Increase) in Materials and Inventory			
8. Decrease/(Increase) in Prepayments and Deferred Charges			
9. Decrease/(Increase) in Other Current Assets			
10. Increase/(Decrease) in Accounts Payable			
11. Increase/(Decrease) in Advance Billings & Payments			
12. Increase/(Decrease) in Other Current Liabilities			
13. Net Cash Provided/(Used) by Operations			
CASH FLOWS FROM FINANCING ACTIVITIES			
14. Decrease/(Increase) in Notes Receivable			
15. Increase/(Decrease) in Notes Payable			
16. Increase/(Decrease) in Customer Deposits			
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)			
18. Increase/(Decrease) in Other Liabilities & Deferred Credits			
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital			
20. Less: Payment of Dividends			
21. Less: Patronage Capital Credits Retired			
22. Other (Explain) Misc A/R Adjustments			
23. Net Cash Provided/(Used) by Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
24. Net Capital Expenditures (Property, Plant & Equipment)			
25. Other Long-Term Investments			
26. Other Noncurrent Assets & Jurisdictional Differences			
27. Other (Explain) Plant Adjustments			
28. Net Cash Provided/(Used) by Investing Activities			
29. Net Increase/(Decrease) in Cash			
30. Ending Cash			

Revision Date 2010

<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p>BORROWER DESIGNATION</p> <p>AZ0507</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p>December, 2015</p>
<p>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	
<p></p>	

<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p>BORROWER DESIGNATION</p> <p>AZ0507</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p>December, 2015</p>
<p>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	

ARIZONA 507

**VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
WILLCOX, ARIZONA**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARIZONA 507
VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
WILLCOX, ARIZONA

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Valley Telephone Cooperative, Inc. and Subsidiaries
Willcox, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Valley Telephone Cooperative, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income and patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation to the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Valley Telephone Cooperative, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of Valley Telephone Cooperative, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 17, 2016

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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit A

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

ASSETS

December 31,

CURRENT ASSETS

Cash and Working Funds
Cash - RUS Construction Funds
Temporary Cash Investments
Telecommunications Accounts Receivable (Less allowance for uncollectible
accounts of [REDACTED] 2015 and [REDACTED] in 2014)
Accounts Receivable - Other
Materials (At average unit cost)
Current Deferred Income Taxes
Other Current Assets

NONCURRENT ASSETS

Investments in Associated Organizations
Investments in Affiliated Companies
Other Non-Current Assets

PLANT, PROPERTY, AND EQUIPMENT

Telecommunications Plant in Service
Telephone Plant Acquisition Adjustment
Plant Held for Resale
Plant Under Construction

Less: Accumulated Depreciation and Amortization

TOTAL ASSETS

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Current Maturities of Long-Term Debt
Accounts Payable - Trade
Customer Deposits
Accrued Operating Taxes
Accrued Compensated Absences
Other Current and Accrued Liabilities

LONG-TERM LIABILITIES

RUS Notes - Less Current Maturities
RTB Notes - Less Current Maturities
Accrued Post-Retirement Benefit Obligation

OTHER LIABILITIES AND DEFERRED CREDITS

Deferred Credits
Non-Current Deferred Income Taxes

MEMBERS' EQUITY

Memberships
Patronage Capital
Other Equities
Other Comprehensive Income

TOTAL LIABILITIES AND MEMBERS' EQUITY

The accompanying notes are an integral part of these financial statements.

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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit B

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME,
AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

December 31,

OPERATING REVENUES

Local Network Services
Network Access and Long Distance Services
Gross Profit From Other Services
Miscellaneous
Uncollectible Revenues

OPERATING EXPENSES

Plant Specific Operations
Plant Nonspecific Operations
Depreciation Expense
Customer Operations
Corporate Operations

NET OPERATING MARGINS

OPERATING TAXES - Property and Other

NET OPERATING MARGINS BEFORE FIXED CHARGES

FIXED CHARGES

Interest on Long-Term Debt
Other Interest Expense
Allowance for Funds Used During Construction

NET OPERATING LOSS

NONOPERATING INCOME AND (EXPENSE)

Interest and Dividends
Affiliated Company
Amortization of Telephone Plant Acquisition Adjustment
Other Nonoperating Income

NET INCOME BEFORE INCOME TAXES

INCOME TAX EXPENSE

NET MARGINS

OTHER COMPREHENSIVE INCOME, NET OF TAX

Unamortized Accumulated Post-Retirement Benefit Obligation Other than Pensions

COMPREHENSIVE INCOME

Federal Excise Tax Refunds
Net Patronage Margins in (Excess) of Taxable Patronage Margins
Unamortized Accumulated Post-Retirement Benefit Obligation Other than Pensions

INCREASE IN PATRONAGE CAPITAL

PATRONAGE CAPITAL - BEGINNING OF YEAR

Patronage Capital Retired

PATRONAGE CAPITAL - END OF YEAR

The accompanying notes are an integral part of these financial statements.

VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

Exhibit C

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

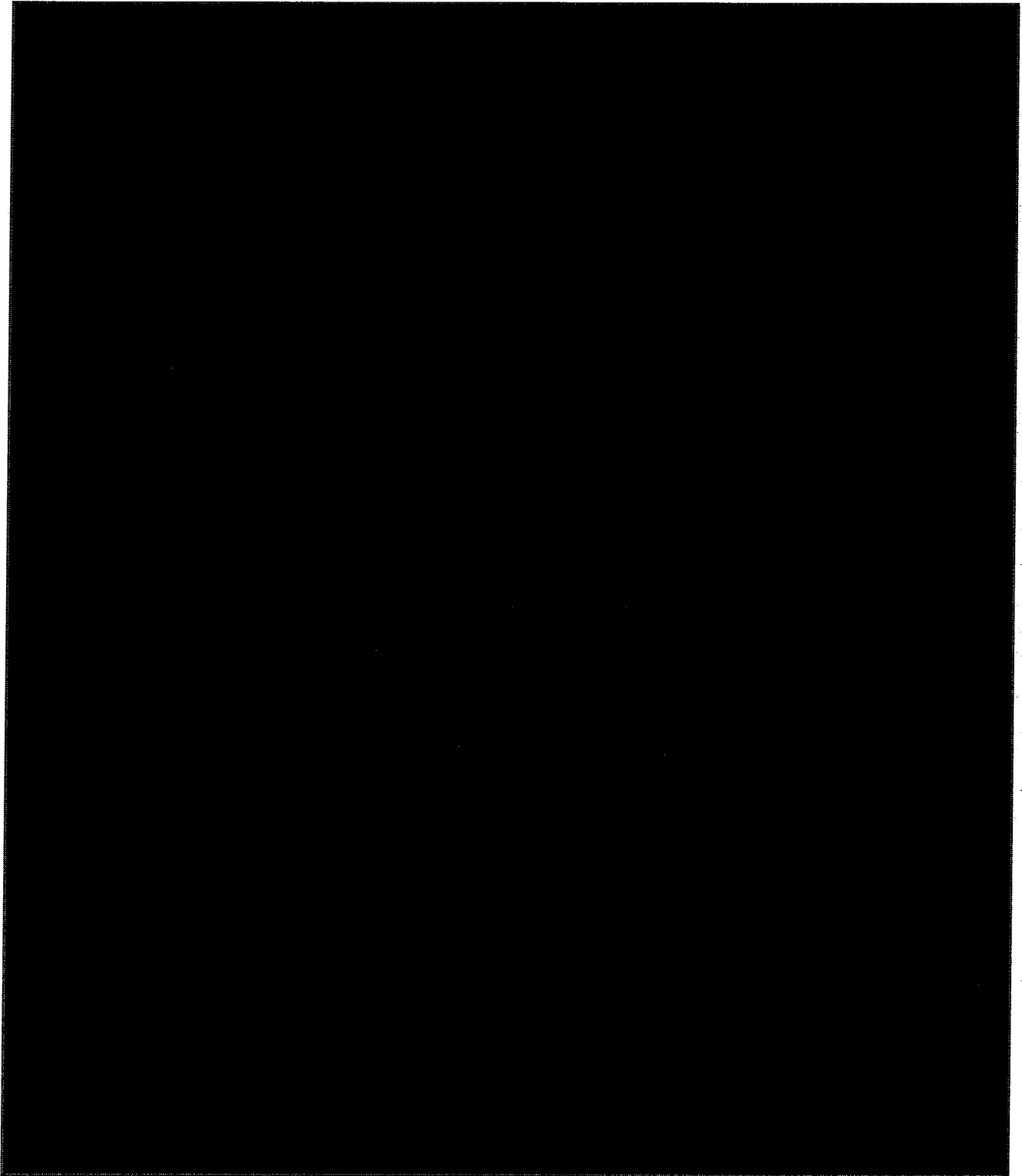
	December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins (Exhibit B) - Including Excise Tax Refund		
Adjustment to Reconcile Net Margins to Net Cash from Operating Activities:		
Depreciation and Amortization (Including charged to other accounts)		
Income from Affiliated Company		
Noncash Income from Associated Organizations		
APBO Net Periodic Cost		
Gain on Sale of Assets		
Deferred Charges		
Deferred Income Taxes		
Deferred Credits		
Accounts Receivable		
Materials		
Other Current Assets		
Other Non-Current Assets		
Non-Current Deferred Income Tax Liabilities		
Accounts Payable and Accrued Liabilities		
Net Cash From Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Plant in Service		
Salvage Value of Retirements and Other Credits (Net of Removal Costs)		
Investments in Associated Organizations		
Capital Contributions to Affiliated Companies		
Distributions Received from Affiliated Companies		
Net Cash From Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to RUS		
Payments on Long-Term Debt to RTB		
Net Activity on RUS Cushion of Credit		
Memberships		
APBO Plan Premium Payments		
Patronage Capital Retired		
Net Cash From Financing Activities		
CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		
CASH AND CASH EQUIVALENTS - END OF YEAR		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest		
Income Taxes		
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
During the years ended December 31, 2015 and 2014, the Cooperative recorded a decrease in its post-retirement benefits obligation and a corresponding change in comprehensive income in the amount of [REDACTED] and \$ [REDACTED] respectively.		

The accompanying notes are an integral part of these financial statements.

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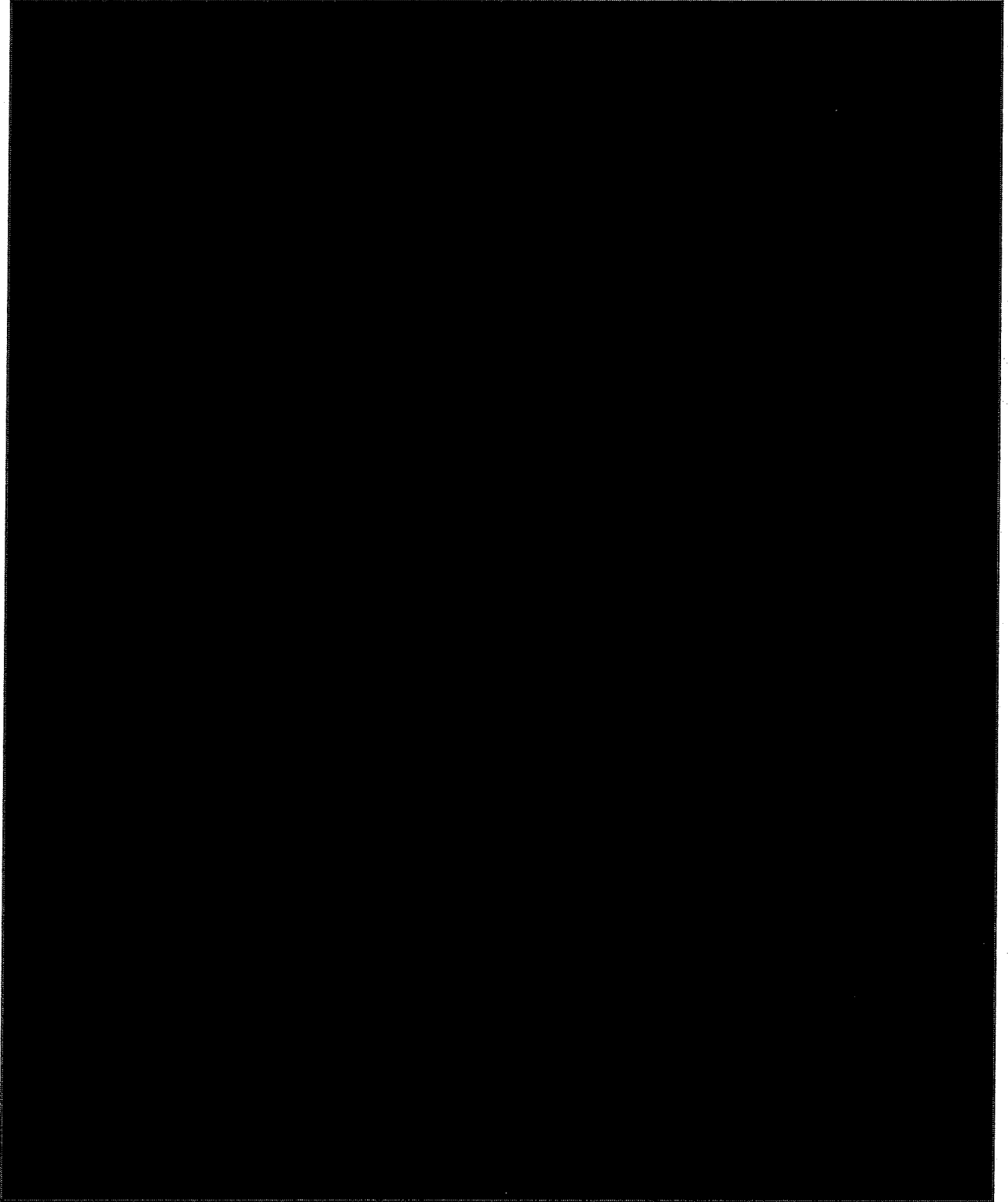
VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



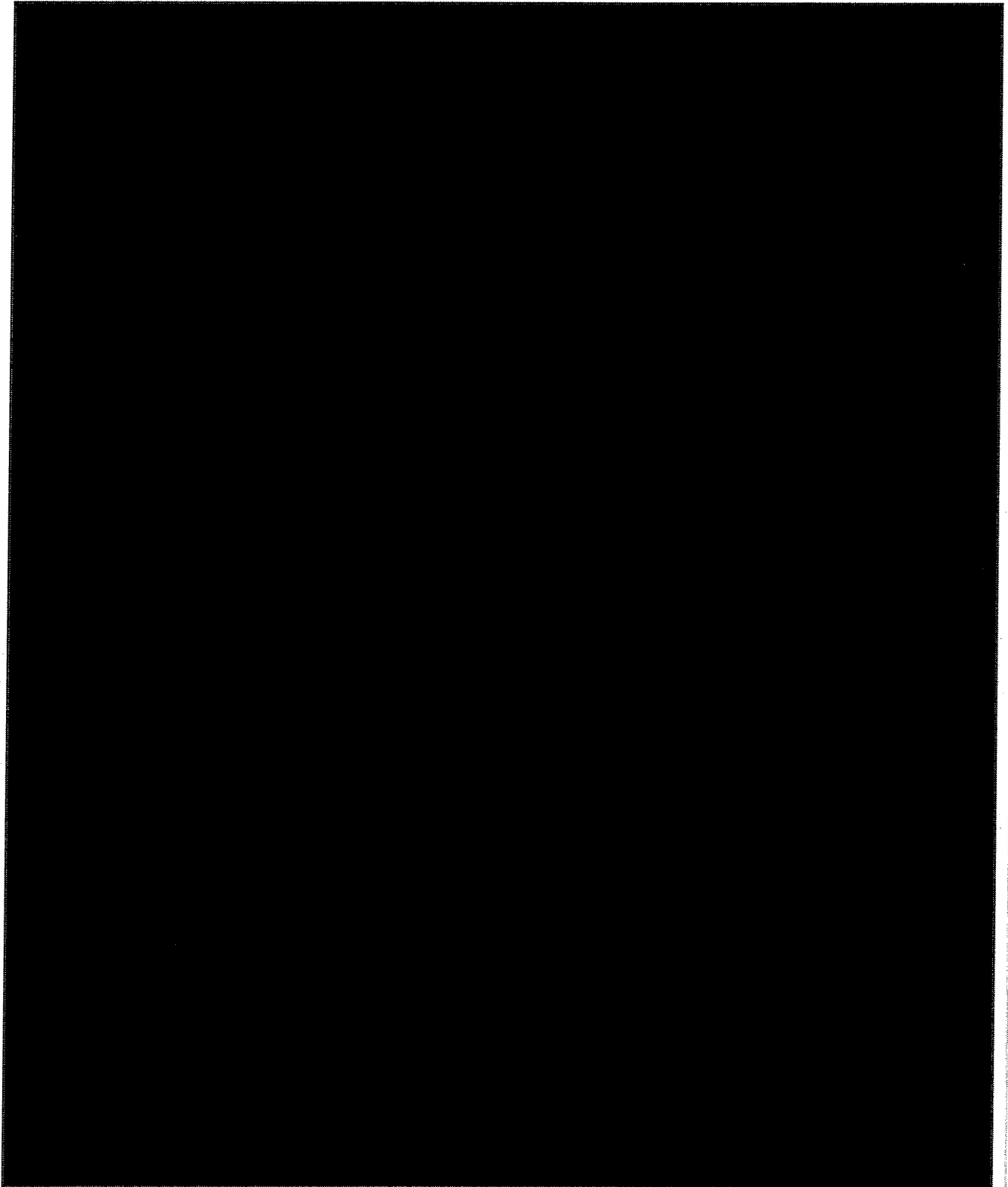
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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



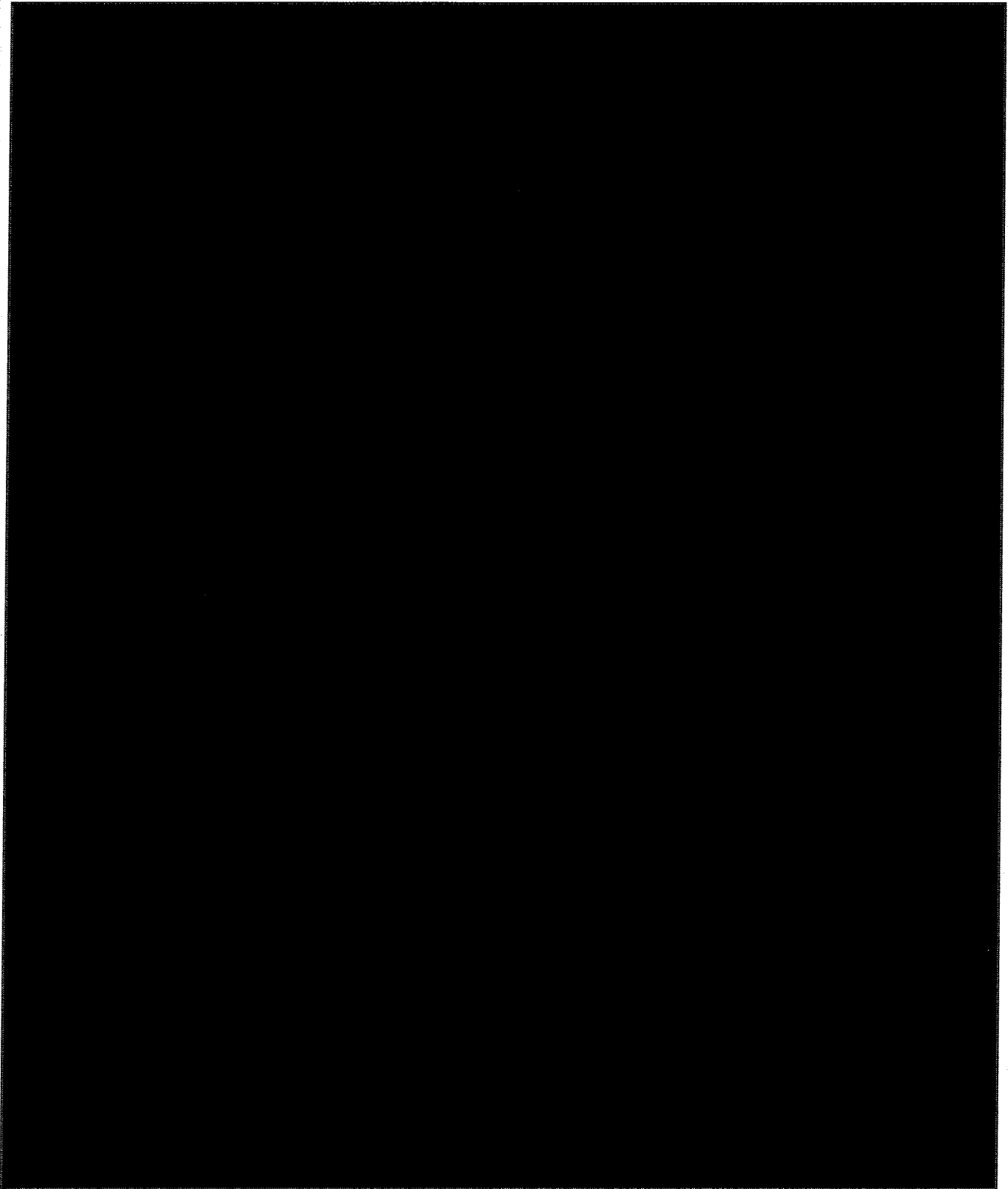
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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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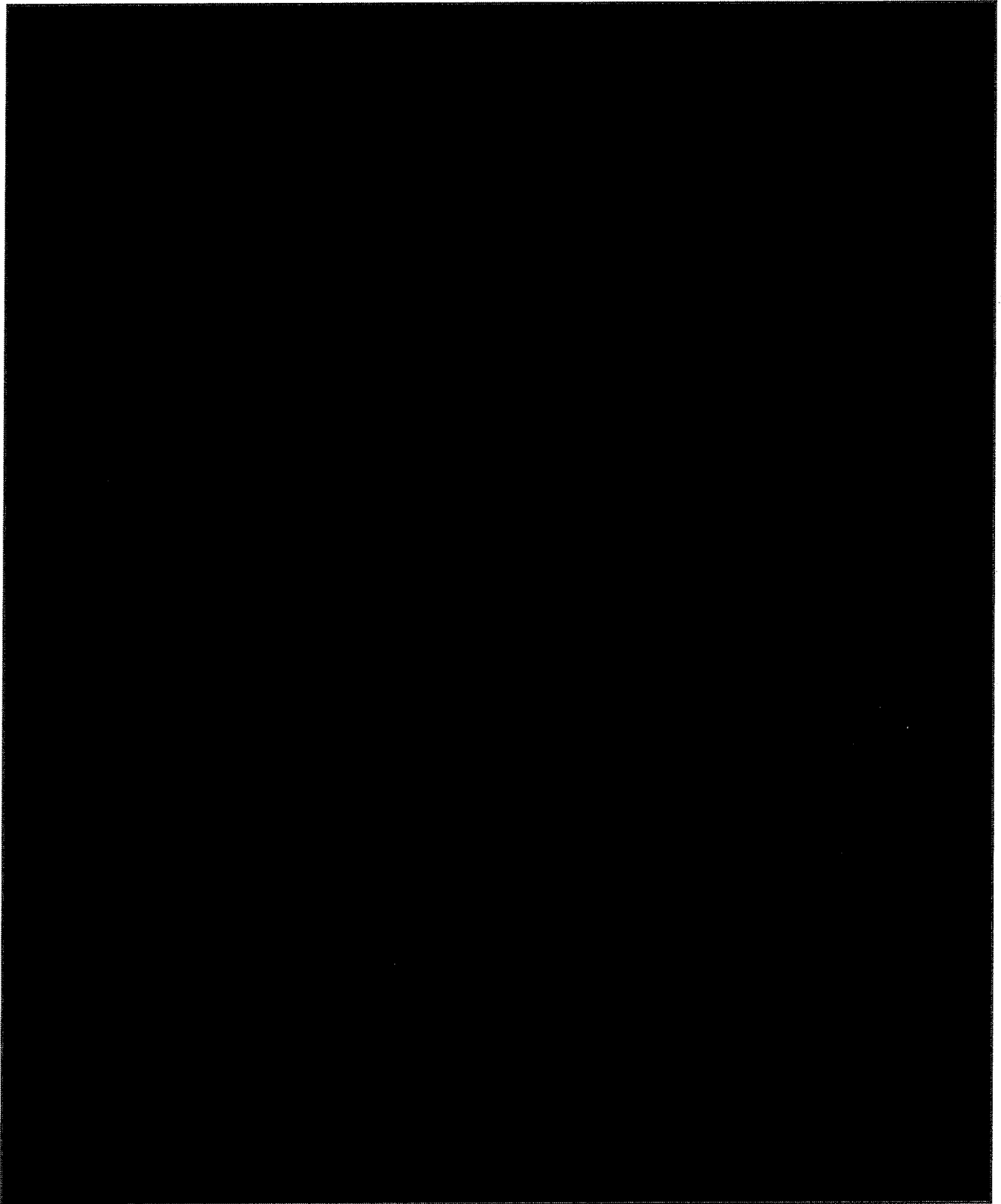
VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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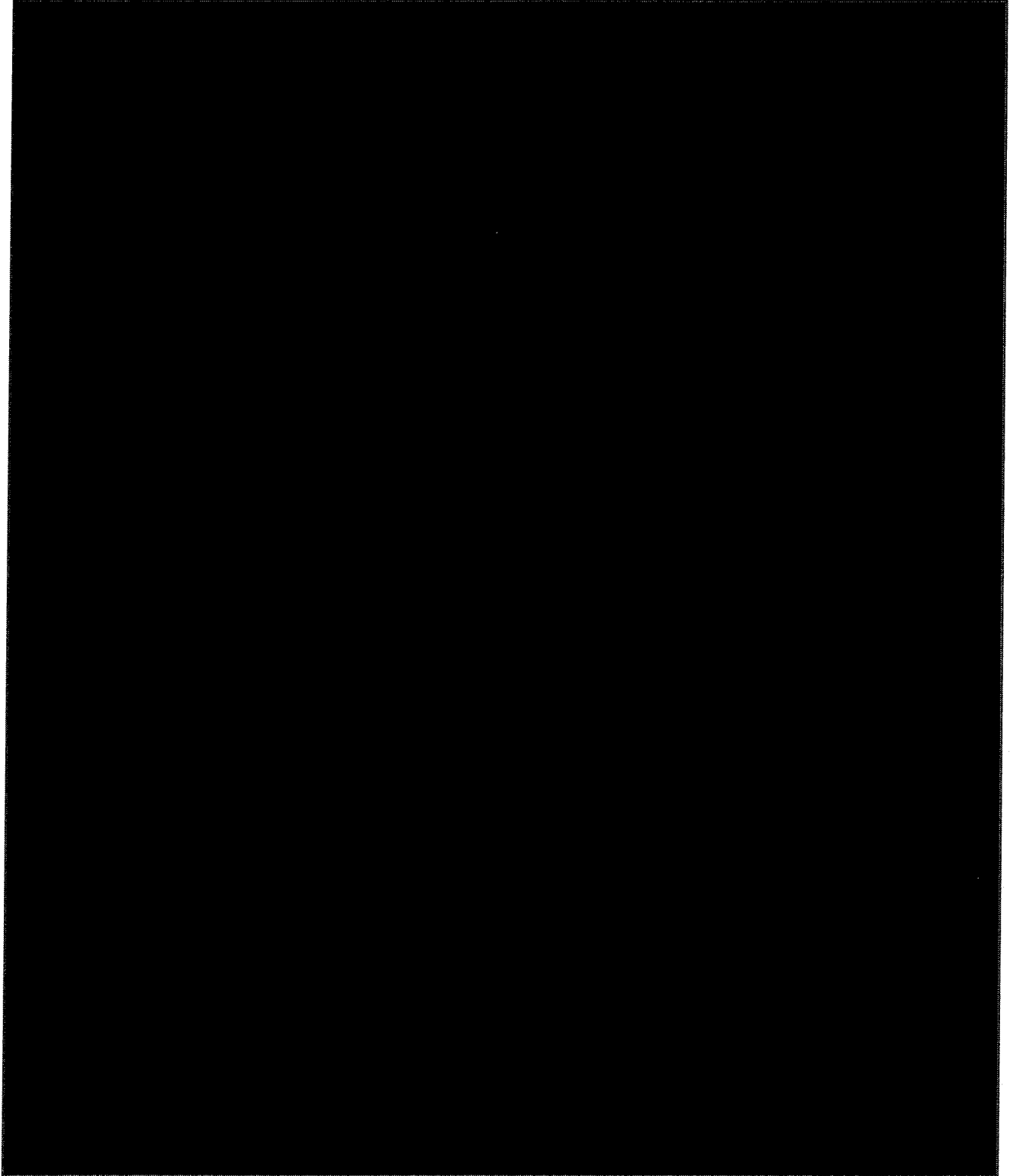
VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



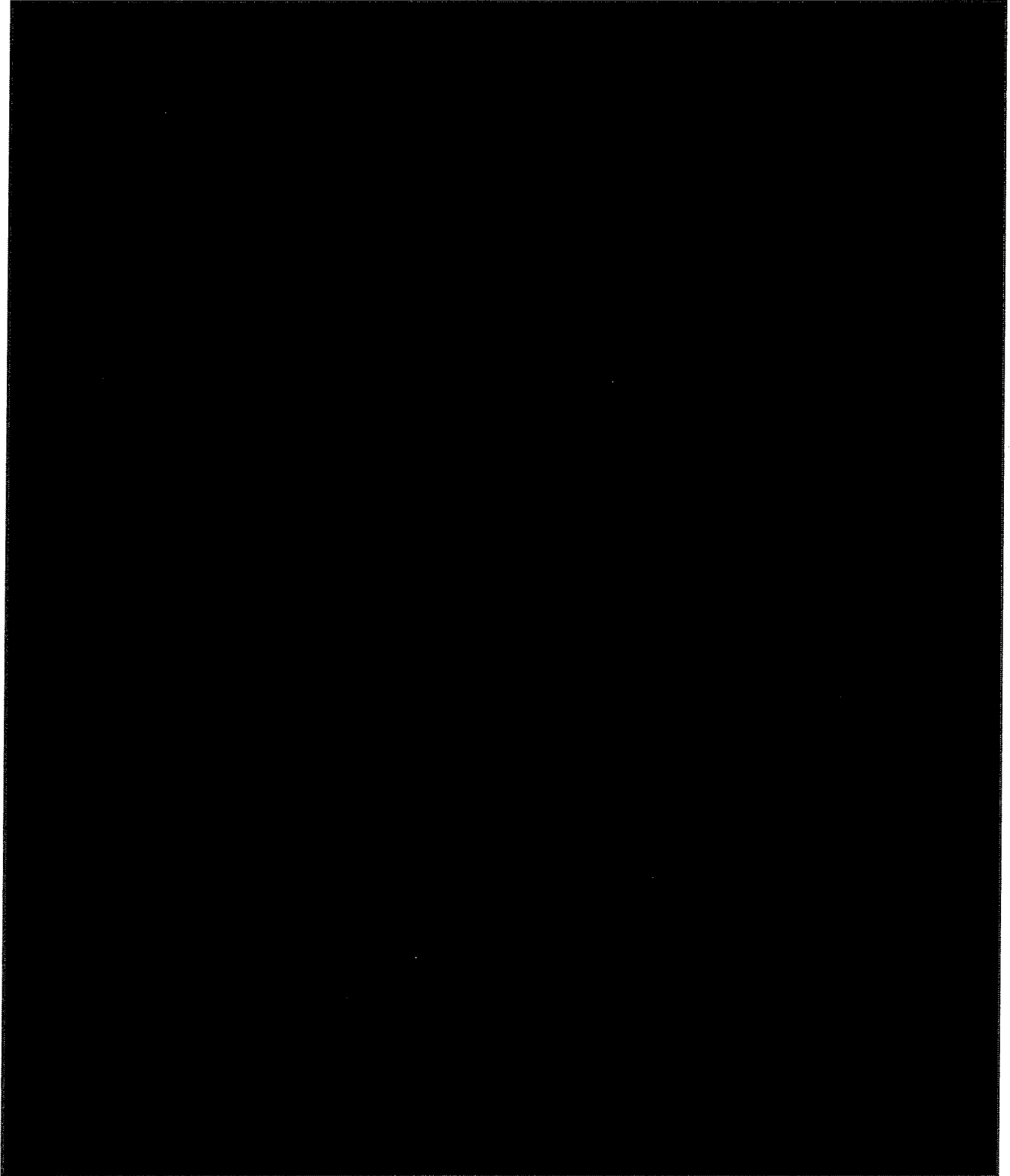
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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



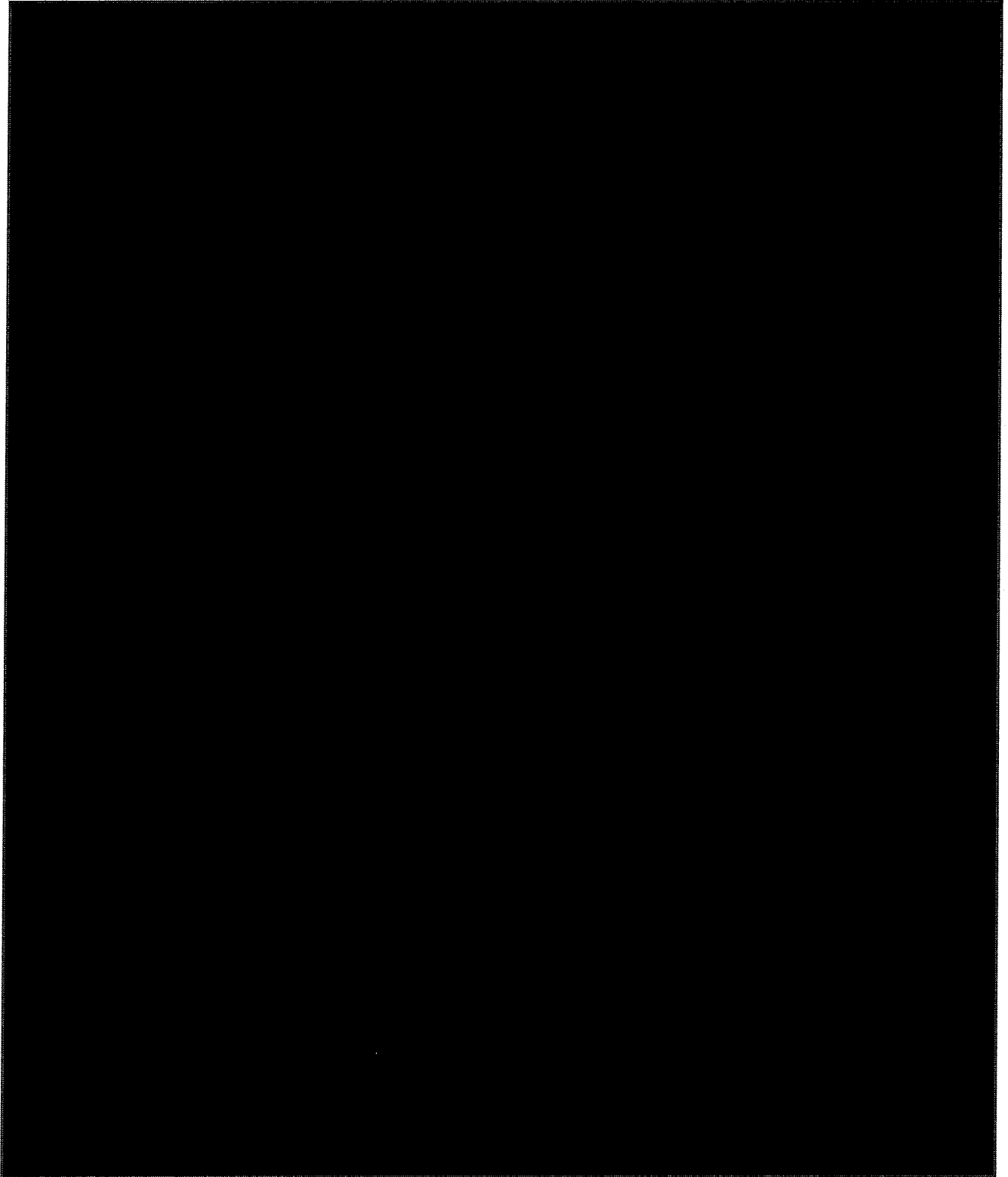
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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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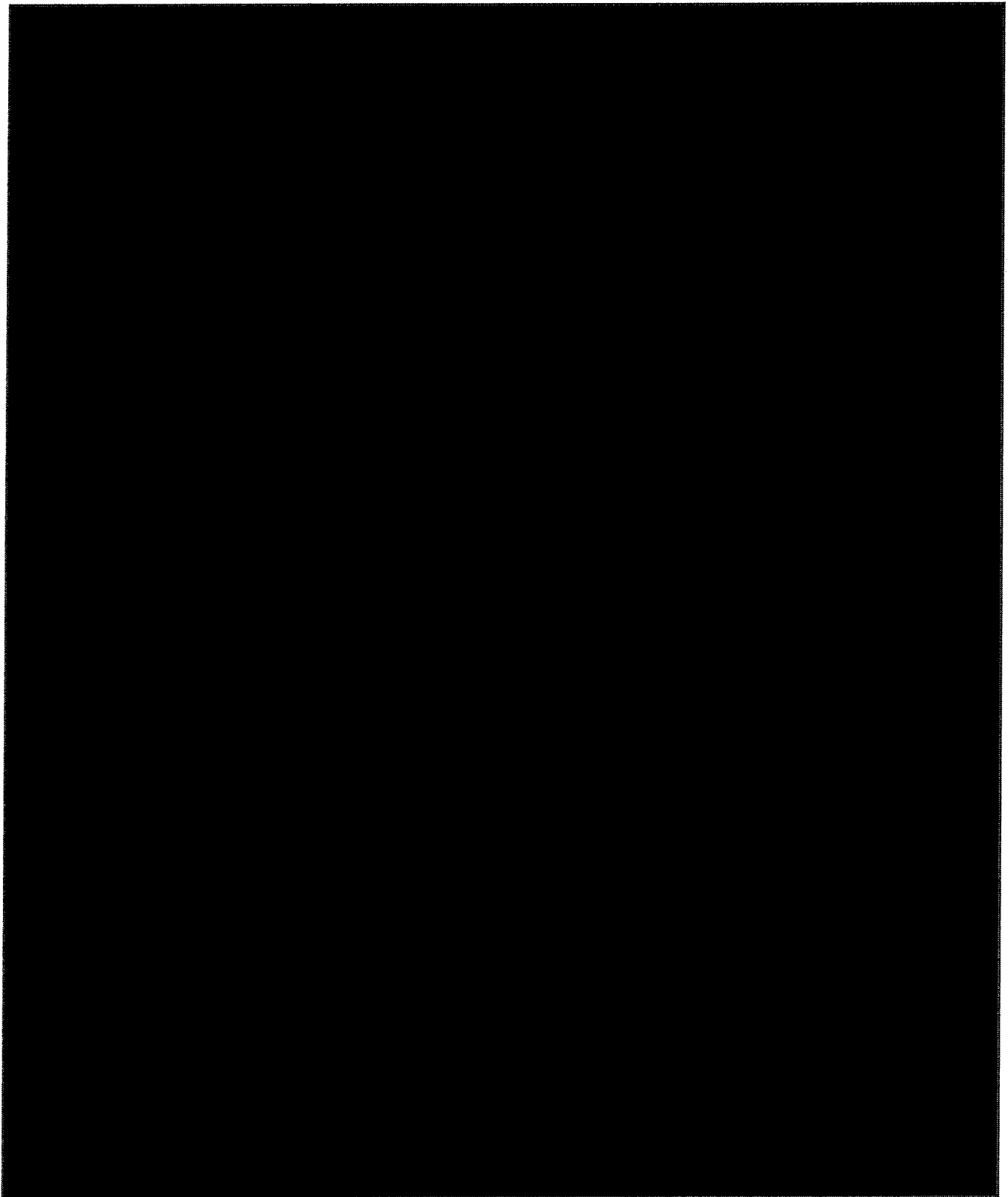
VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

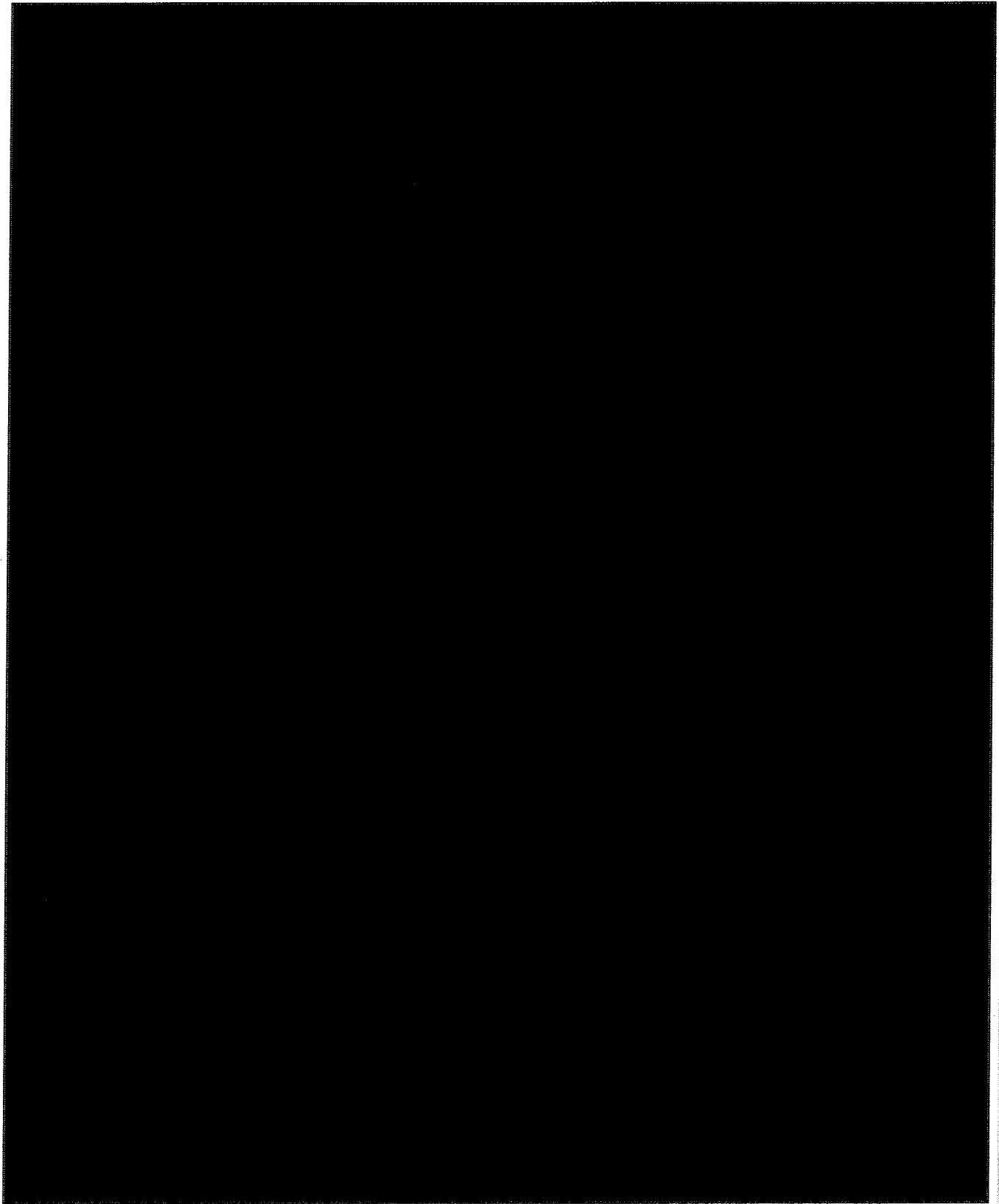
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

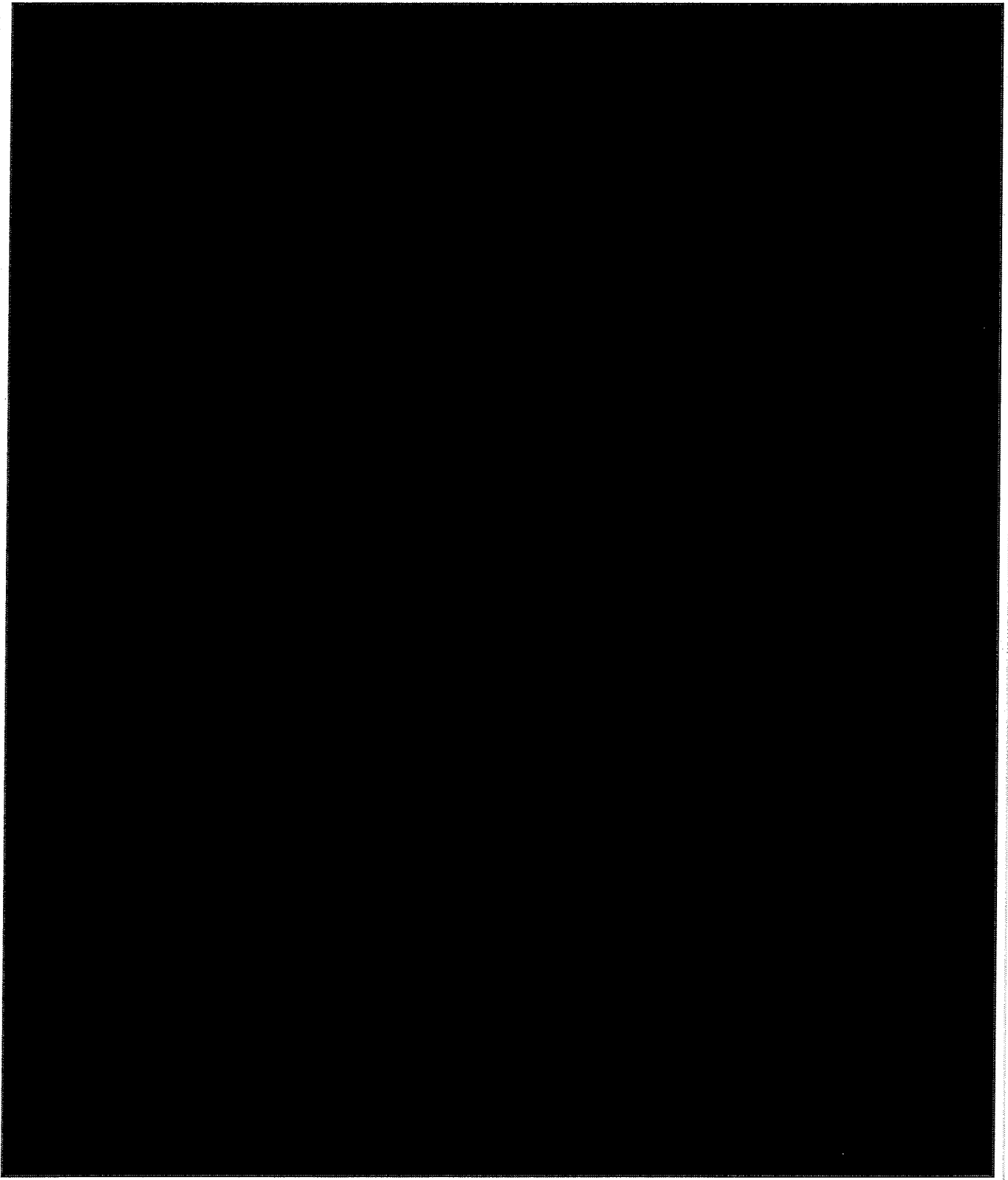
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

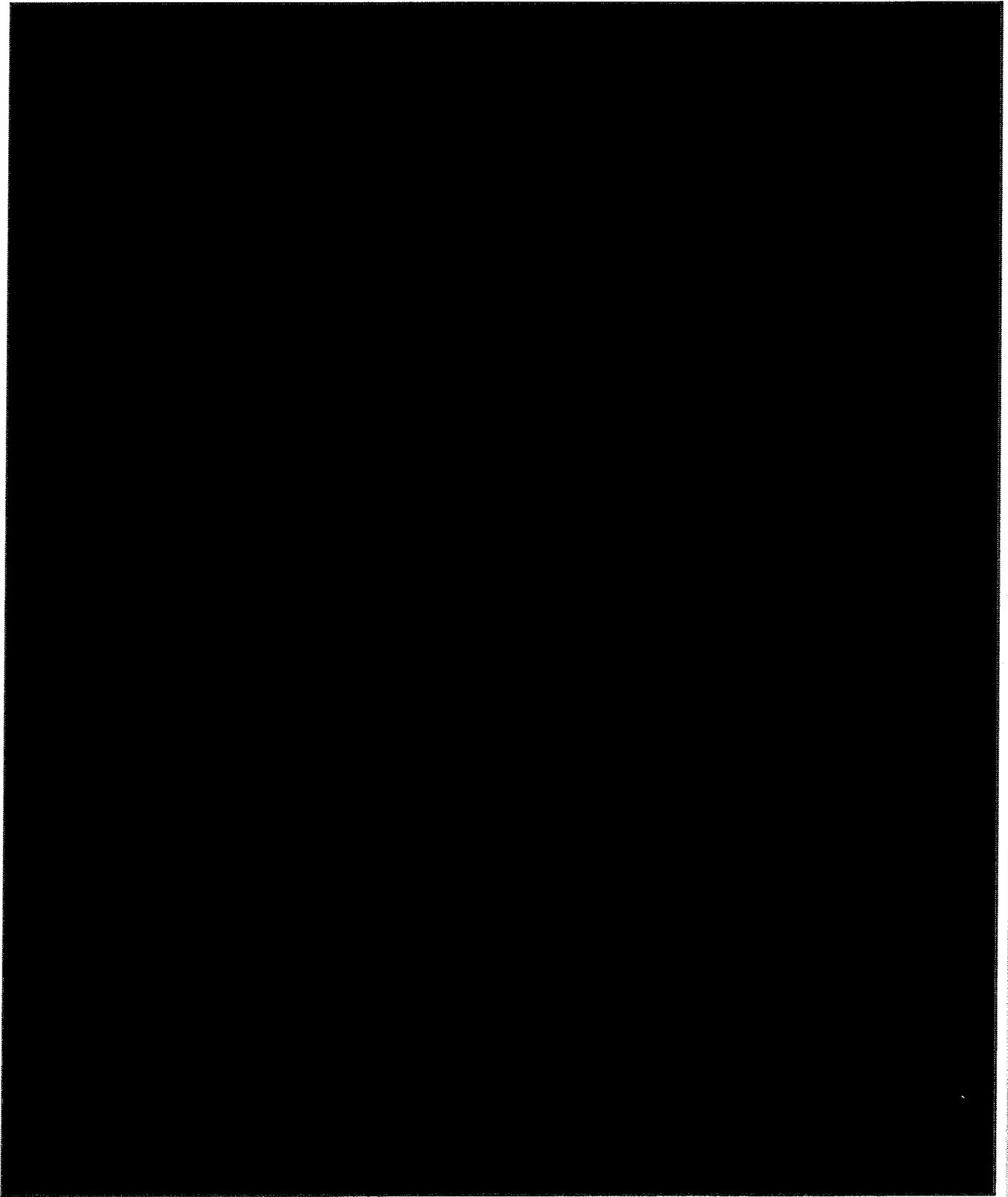
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

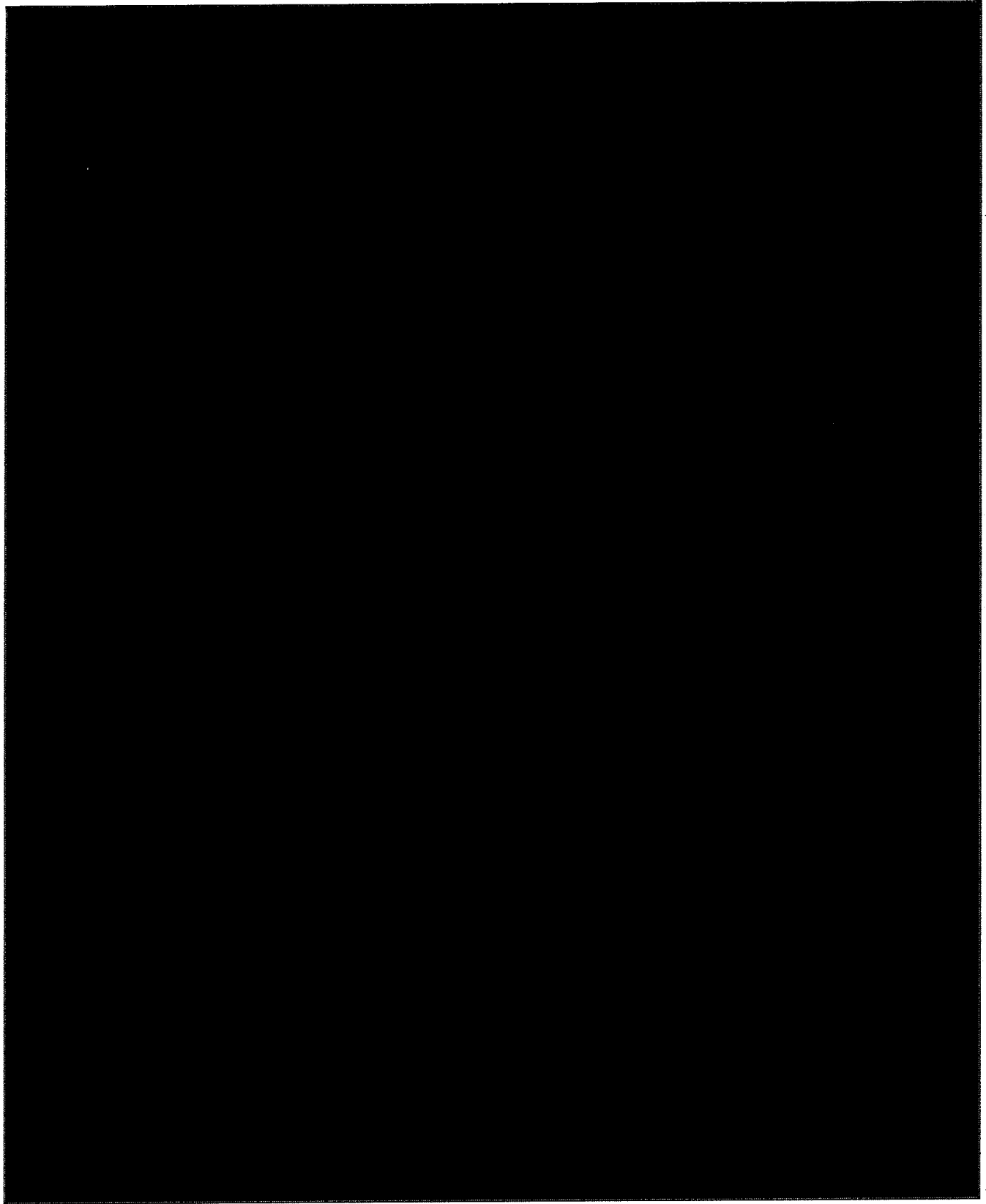
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

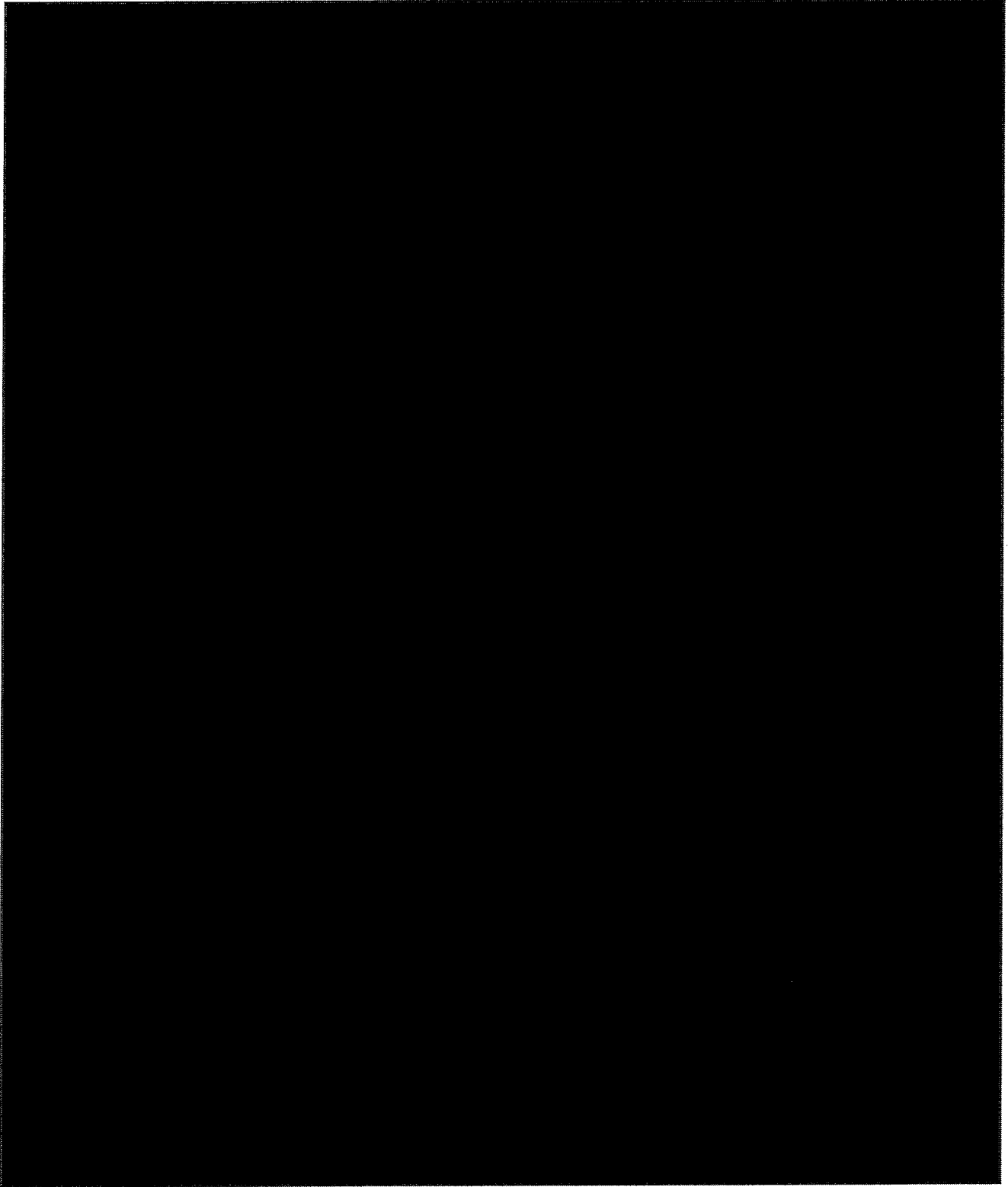
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

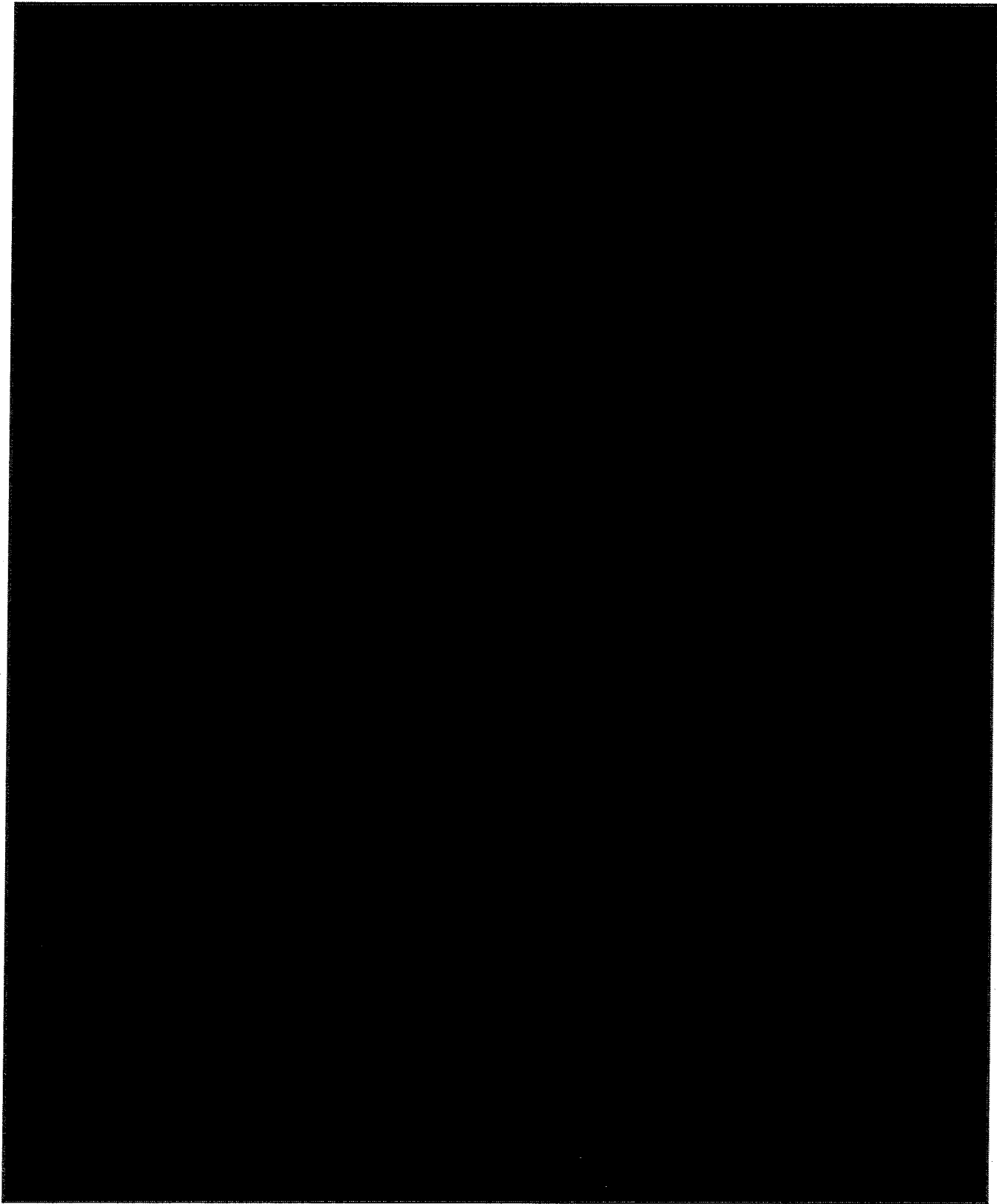
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

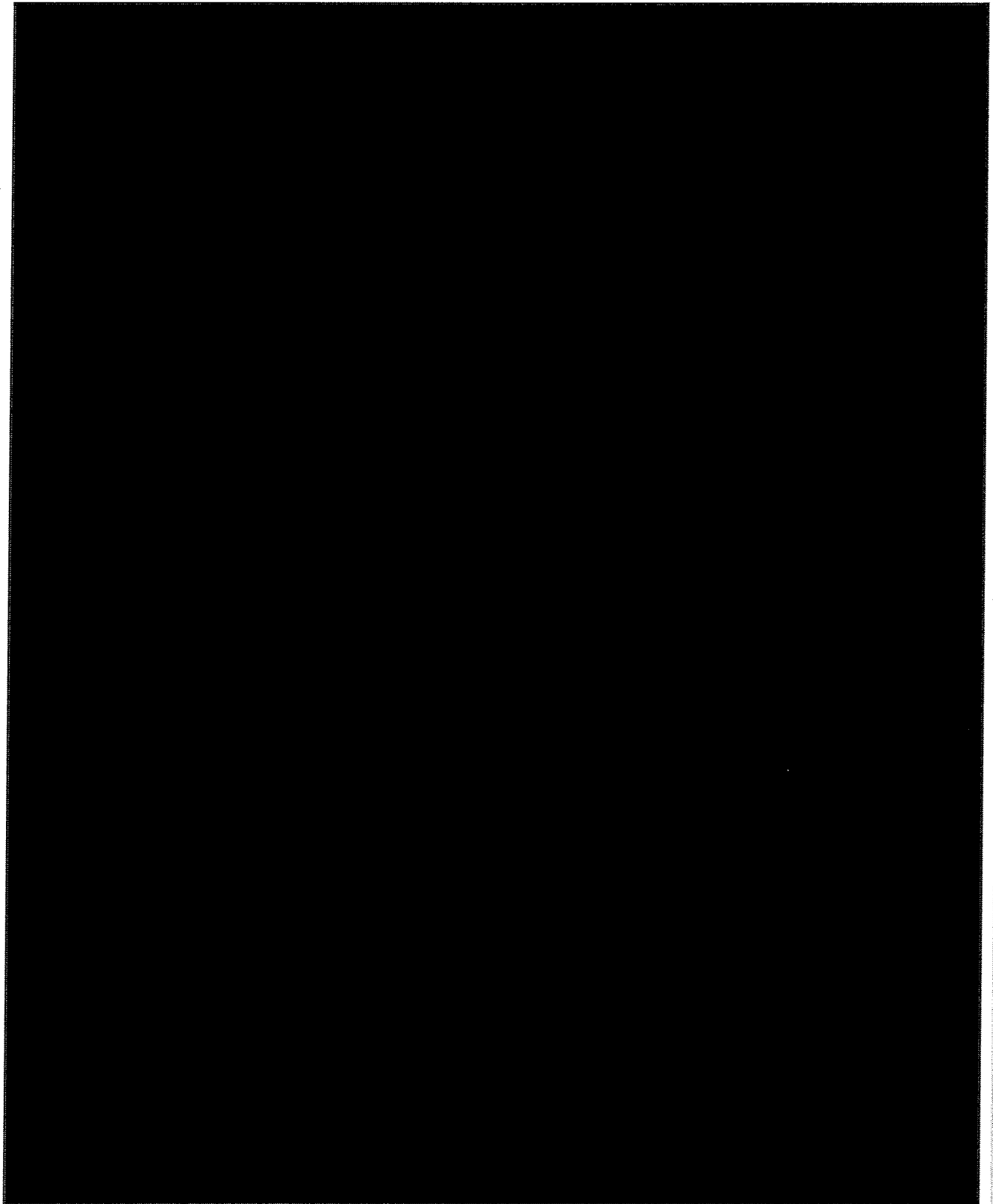
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

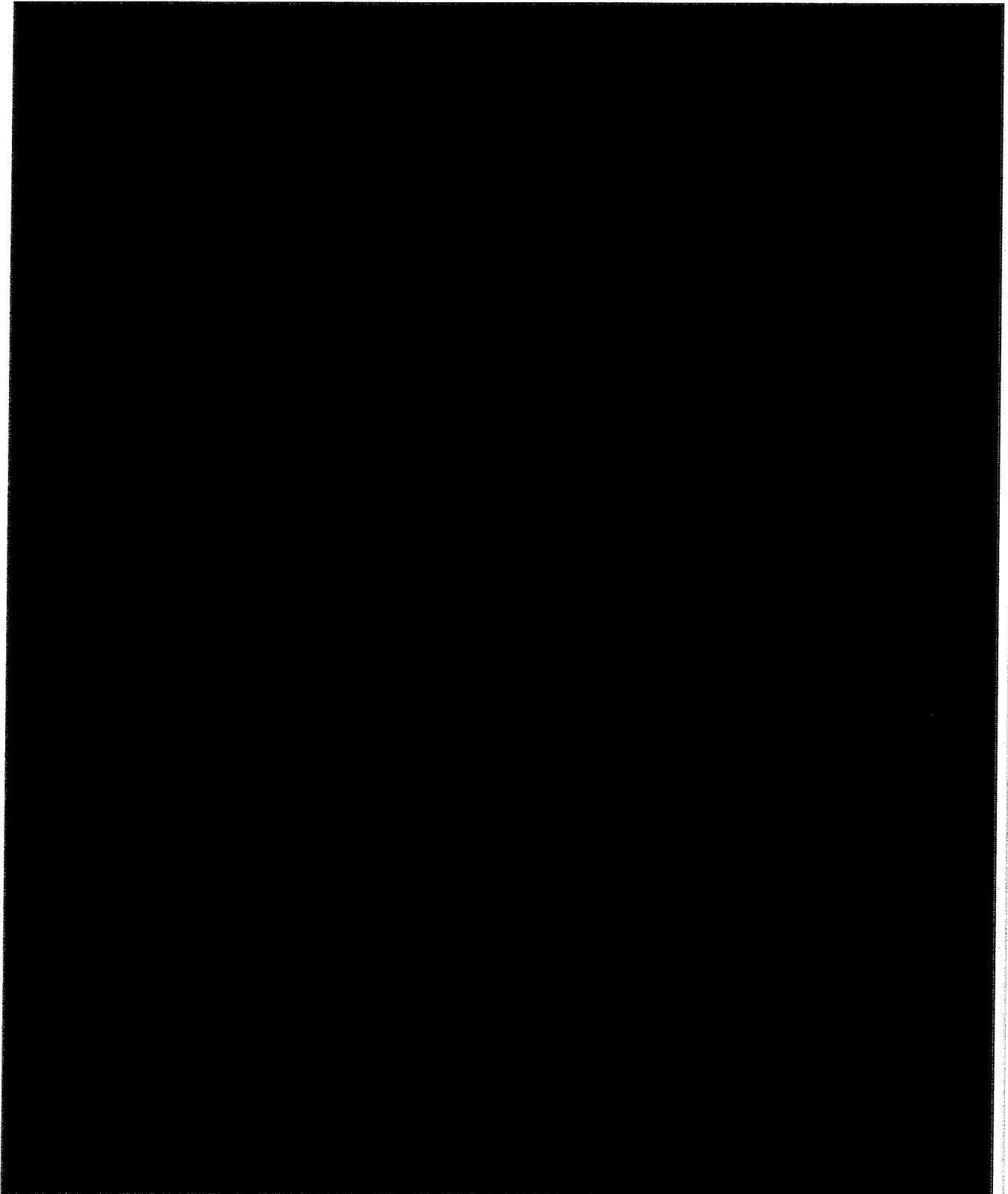
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

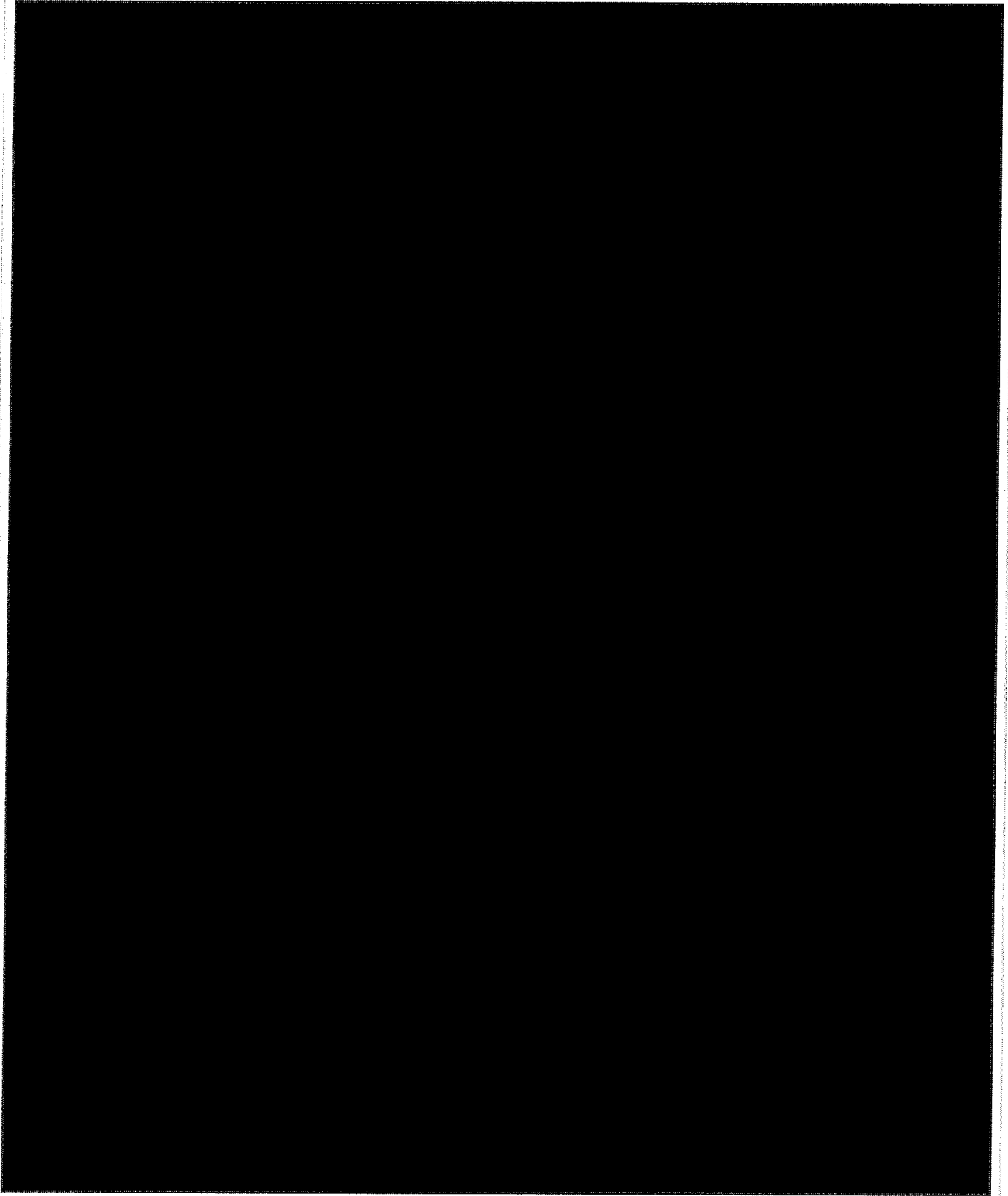
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

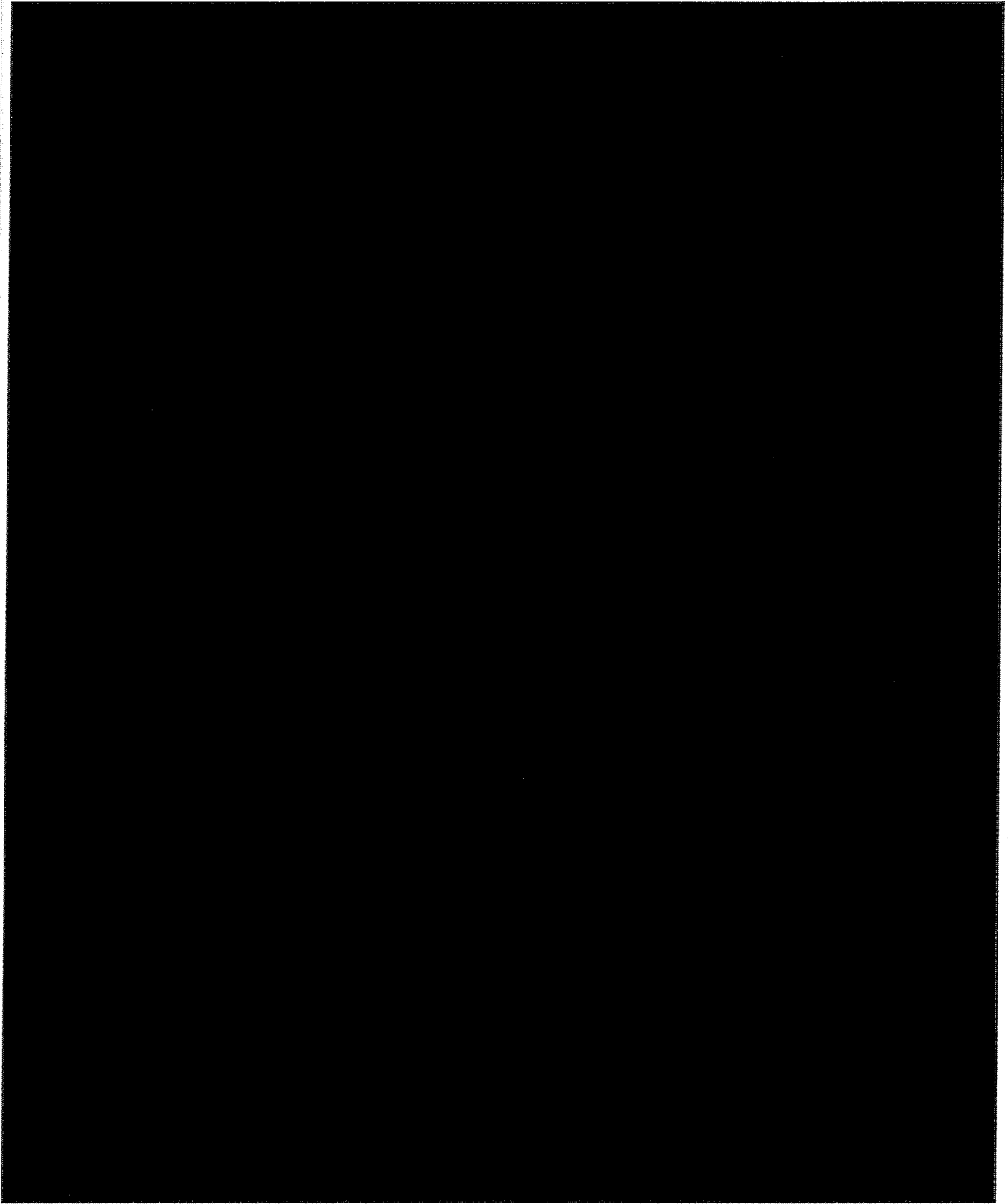
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

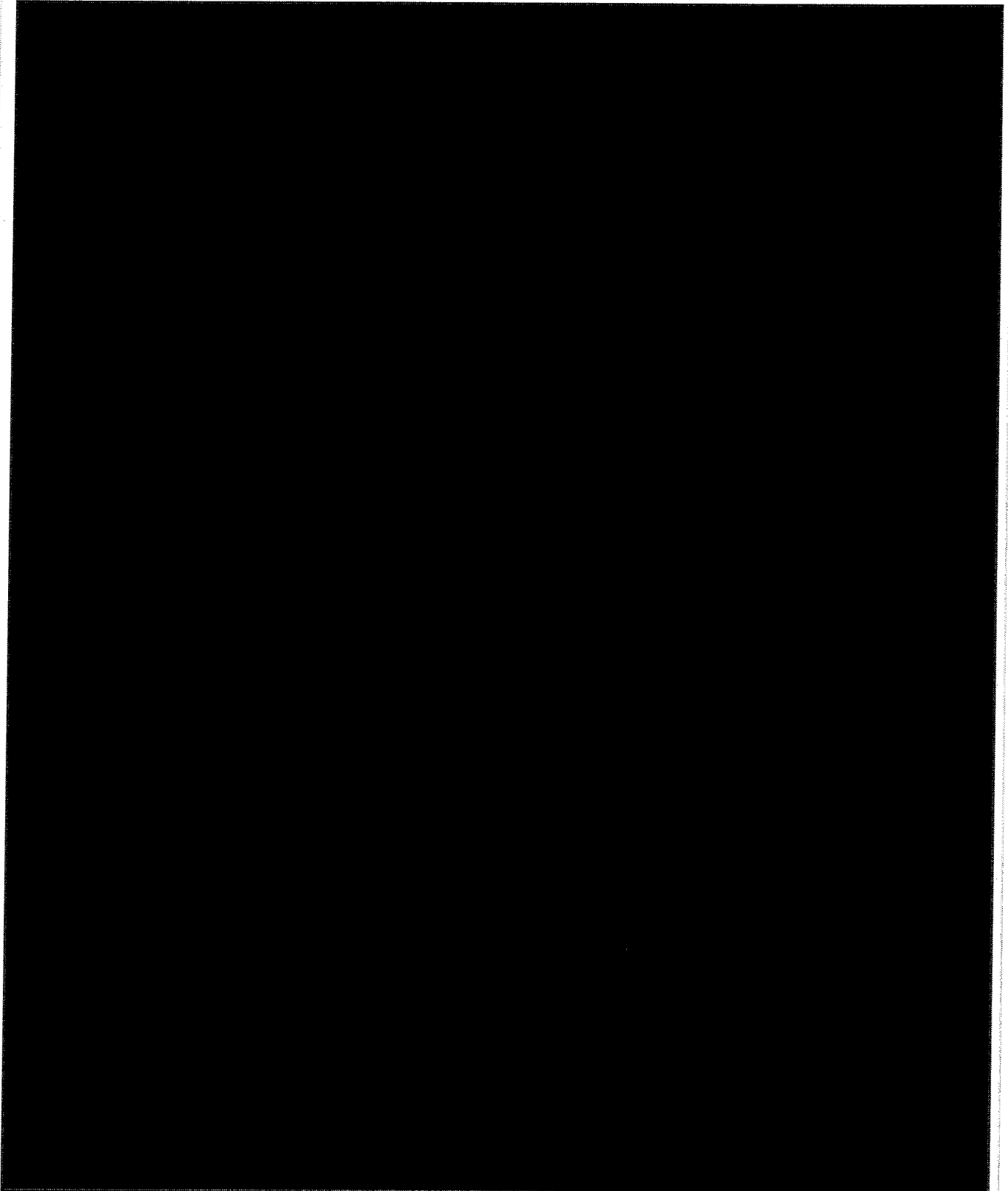
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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VALLEY TELEPHONE COOPERATIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

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215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Valley Telephone Cooperative, Inc.
Willcox, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Valley Telephone Cooperative, Inc. and Subsidiaries as of and for the year ended December 31, 2015, and the related notes to the financial statements, which comprise of the Cooperative's basic consolidated financial statements, and have issued our report thereon dated March 17, 2016.

Internal Control Over Financial Reporting

Management of the Cooperative and Subsidiaries is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the consolidated financial statements, we considered Valley Telephone Cooperative, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended for the information of the Board of Directors, management, Rural Utilities Services, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 17, 2016